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SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN COMMENTS

ON

CERTAIN TARIFF AND TRADE BILLS

VOLUME I

MAY 30, 1991

Prepared for the use of the Committee on Ways and Means by its staff

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FOR IMMEDIATE RELEASE
FRIDAY, MARCH 8, 1991

SUBCOMMITTEE ON TRADE #4
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1721

THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES REQUEST FOR WRITTEN COMMENTS ON CERTAIN TARIFF AND TRADE BILLS

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee on Trade is requesting written testimony for the record from all interested parties on the miscellaneous tariff and trade bills listed below.

A determination regarding further scheduling of public hearings or other Subcommittee action on any of these bills will not be made until after the close of this public comment period.

The tariff and trade bills on which written testimony will be received are:

Duty Suspension Bills

H.R. 176 (Mr. Olin): To suspend temporarily the duty on Textile Winding or Reeling Machines.

H.R. 753 (Mr. Torricelli): To suspend temporarily the duty on certain multifilament yarns of viscose rayon until January 1, 1994.

H.R. 979 (Mr. Applegate): To suspend temporarily the duty on Diaphone V.

H.R. 996 (Mr. Hatcher and Mr. Coble): To suspend temporarily the duty on fluometuron and IBTF.

H.R. 1036 (Mr. Vander Jagt): To suspend temporarily the duty on Pigment Blue 60.

H.R. 1037 (Mr. Vander Jagt): To suspend temporarily the duty on Pigment Blue 16.

H.R. 1139 (Mr. Jacobs): To suspend temporarily the duty on certain composite diagnostic or laboratory reagents.

Extension of Existing or Expired Suspension Bills

H.R. 541 (Mr. Gradison): Relating to the suspension of duty on certain chemicals.

H.R. 584 (Mr. Rinaldo): To extend the temporary suspensions of duty on certain oxygen-function amino compounds.

H.R. 715 (Mr. Carper): To suspend until January 1, 1994, the duty on o-Benzyl-p-chlorophenol.

H.R. 716 (Mr. Carper): To extend the existing temporary suspension of duty on fusilade.

H.R. 746 (Mr. Nagle): To extend until January 1, 1995, the existing suspension of duty on certain sulfonamides.

H.R. 1032 (Mr. Vander Jagt): To extend until January 1, 1994, the existing suspension of duty on 3-Ethylamino-p-cresol.

H.R. 1033 (Mr. Vander Jagt): To extend until January 1, 1994, the existing suspension of duty on sethoxydim.

H.R. 1034 (Mr. Vander Jagt): To extend until January 1, 1994, the existing suspension of duty on B-Naphthol.

(MORE)

H.R. 1035 (Mr. Vander Jagt): To extend until January 1, 1994, the existing suspension of duty on Diamino Imid SP.

H.R. 1053 (Mr. Bliley): To extend until January 1, 1993, the existing suspension of duty on 1-(3-Sulfopropyl) pyridinium hydroxide.

H.R. 1094 (Mr. Vander Jagt): To extend until January 1, 1996, the suspension of duty on certain clock radios.

H.R. 1095 (Mr. Vander Jagt): To extend through December 31, 1995, the existing temporary suspension of the duty on diphenyldichlorosilane and phenyltrichlorosilane.

Classification Bills

H.R. 970 (Mr. Horton): To amend the Harmonized Tariff Schedule of the United States to clarify the classification of certain paper used in photography.

H.R. 1211 (Ms. Slaughter of New York): To amend the Harmonized Tariff Schedule of the United States to change the rate of duty for certain bicycles.

Customs and Other Nontariff Matters Bills

H.R. 186 (Mr. Rangel): To amend the Harmonized Tariff Schedule of the United States to increase the duty-free tourist allowance with respect to articles acquired in Bermuda.

H.R. 570 (Mr. Green of New York): Regarding certain entries of N-Acetylsufanilyl chloride.

H.R. 1071 (Mr. Matsui): For the relief of certain importers, wholesalers, and users of industrial fasteners.

H.R. 1102 (Mr. Matsui): To make a technical correction to the Omnibus Trade and Competitiveness Act of 1988 to provide for the reliquidation of certain petroleum products.

H.R. 1283 (Mr. Gibbons, Mr. Pickle, Mr. Downey, Mr. Crane, and Mr. Schulze): To amend the Caribbean Basin Economic Recovery Act to repeal the provisions exempting certain articles from duty-free treatment under the Act.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments should submit six (6) copies by the close of business Monday, April 29, 1991, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

* * * * * * * * * * *

GENERAL STATEMENT

FORTNEY H. (PETE) STARK
9TH DISTRICT, CALIFORNIA

COMMITTEES:
WAYS AND MEANS
DISTRICT OF COLUMBIA
SELECT NARCOTICS

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

April 29, 1991

Hon. Sam Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth HOB

Dear Mr. Chairman:

Thank you for your press release of March 8 regarding comments on various miscellaneous tariff and trade bills.

I would like to make a general comment on a number of bills that involve materials used in the manufacture of pharmaceutical drugs. Page 16 and 17 of your Subcommittee's hearing of September 24, 1990 on the "Temporary Suspension of Duty on Ranitidine Hydrochloride" shows how widespread and important to the industry these tariff relief bills are.

Inflation in the prescription drug field is several times the general rate of inflation (see attached press release for a description of some recent price increases). The pharmaceutical industry is one of the most profitable in the United States (see attached materials from Fortune Magazine, April 22, 1991). Efforts by the Congress and the Administration to achieve some price reductions for the Medicaid program are being subverted by the manufacturers, with the result that pharmaceutical manufacturer quarterly profits are reaching new records. The industry is also 'famous' for its multi-million dollar executive compensation packages (see Business Week, May 6, 1991 attachement). The industry is also the recipient of hundreds of millions in special tax incentives.

Passage of a number of the tariff bills before the Subcommittee will transfer from the deficit-ridden Treasury thousands and millions of dollars and give it to the pharmaceutical industry.

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

FORTNEY H. (PETE) STARK
9TH DISTRICT, CALIFORNIA

COMMITTEES:
WAYS AND MEANS
DISTRICT OF COLUMBIA
SELECT NARCOTICS

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

Therefore, I would hope that the Subcommittee could carefully ask on each of the tariff bills that benefit the pharmaceutical industry exactly what the public is receiving.

Will the tariff relief result in a lower price for the medicine? Will the tariff relief be accompanied by a promise of less inflation? Or will it just be more money for multi-million executive compensation packages and record quarterly earnings?

Some or all of these pharmaceutical-related tariff bills may make sense--if the public can be guaranteed some help with the horrendous cost of prescription medicine in America.

Thank you for your consideration of my concerns.

Sincerely,

Pete Stark
Member of Congress

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

TEMPORARY SUSPENSION OF DUTY ON RANITIDINE HYDROCHLORIDE

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

H.R. 3130

TO SUSPEND TEMPORARILY THE DUTY ON RANITIDINE HYDROCHLORIDE

SEPTEMBER 24, 1990

Serial 101-119

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In response to SmithKline Beecham's objection, the Department of Commerce found duty suspension for ranitidine to affect competition. The Department made no objection to suspension of duty for other products in the anti-ulcer market that compete with Tagamet. As recently reported to the Senate Finance Committee there was no objection to S. 2060, a bill to suspend duty on sucralfate, used to manufacture Carafate and because no objection was raised, this bill was included in the recent trade bill (H.R. 1594), which was signed into law on August 20, 1990 as P.L. 101-382. Although the Department of Commerce, when confronted with this inequity, attempted to distinguish Carafate from Zantac because it works differently in the stomach, Carafate is clearly recognized as a competitor in the anti-ulcer market by authorities such as the International Trade Commission, Carafate's manufacturer (Marion Merrell Dow) and by the pharmaceutical industry as a whole.

Even if Carafate could be distinguished from H2-antagonist ulcer medicines, certainly Pepcid cannot. This session, H.R. 4648 was introduced in the United States House of Representatives to request suspension of duty on famotidine, the active ingredient of Pepcid. Glaxo was contacted by a Department of Commerce representative to determine if the company would take a position on this bill. Glaxo has a policy not to oppose such bills. Subsequently, Glaxo has been informed informally by Department of Commerce representatives that the Department does not intend to oppose suspension of duty for famotidine.

SmithKline Beecham did not raise objections to duty suspension for sucralfate. Glaxo has been informed that SmithKline Beecham has raised no objection to duty suspension for famotidine, despite loss of market share of Tagamet to Pepcid during the last two years. SmithKline Beecham has only objected to duty suspension for ranitidine. The objections by SmithKline Beecham and subsequently by the Department of Commerce are both inconsistent with treatment of other products in the same therapeutic class and unfair.

SmithKline Beecham has alleged that duty suspension on ranitidine puts other producers that must pay duty at a competitive disadvantage. In the anti-ulcer market, only sucralfate for Carafate, famotidine for Pepcid and ranitidine for Zantac are subject to duty. Duty suspension is in effect for sucralfate and is anticipated for famotidine. No producer of anti-ulcer products other than Glaxo is likely to pay a duty. In fairness, ranitidine should be treated the same way.

The Department of Commerce has provided no rationale for raising objections to the temporary suspension of duty on ranitidine other than the fact that SmithKline Beecham produces an anti-ulcer medication. It is important to note that Merck and Lilly, manufacturers of Pepcid and Axid, the other second generation H2-antagonist anti-ulcer drugs, have not objected to suspension of duty on ranitidine. In addition, Marion Merrell Dow, the manufacturer of Carafate, has written to the United States International Trade Commission in support of duty suspension on ranitidine. (<u>See</u> Exhibit B).

<u>Duty suspensions are routinely granted for raw materials imported for use by U.S. manufacturers even when, as in the case of ulcer medications, competing drugs exist in the same therapeutic category.</u>

The existence of competing domestic products in the same therapeutic category has not prevented the United States Department of Commerce from making affirmative recommendations on suspension of duty for similarly situated compounds.

There are numerous examples of suspensions of duty on raw material ingredients used in pharmaceutical products even when

competing products in the same therapeutic class are manufactured in the United States. In addition to sucralfate, the recent trade bill, P.L. 101-382, included other duty suspension provisions for chemicals used in pharmaceuticals. A duty suspension was included in that legislation for cefixime, a raw material used by Lederle Laboratories in the production of the antibiotic Suprax. Suprax competes with Glaxo's Ceftin, Lilly's Ceclor and SmithKline Beecham's Augmentin. SmithKline Beecham raised no objection to that duty suspension. A duty suspension provision was included in the trade bill for amiloride hydrochloride, a raw material used by Merck in the manufacture of the diuretics Midamor and Moduretic. These products compete with Dyazide, a product manufactured by SmithKline Beecham. SmithKline Beecham raised no objection to duty suspension for amiloride hydrochloride.

Other duty suspension provisions in the recent trade bill for chemicals used in the production of products with United States therapeutic competition include the following: 1) duty suspension on teicoplanin, used by Marion Merell Dow in the production of Targocid. Targocid competes with Lilly's Vancocin; 2) duty suspension on diltiazem hydrochloride, used by Marion Merrell Dow in the manufacture of Cardizem for cardiovascular therapy. Cardizem is a calcium channel blocker that competes with Pfizer Inc.'s Procardia, G. D. Searle & Co.'s Calan and Knoll Pharmaceutical's Isoptin, among others; 3) duty suspension on ADC-6, used by Merck in the manufacture of Primaxin, an antibiotic that competes with SmithKline Beecham's Tazicef. Note that SmithKline Beecham did not object to suspension of duty on ADC-6; 4) duty suspension on ceftazadime tertiary butyl ester, used by SmithKline Beecham in the production of Tazicef for injection, a cephalosporin-type antibiotic. Other U.S. competitors in the cephalosporin antibiotic market include Lilly's Tazidime, Hoffmann-La Roche Inc.'s Rocephin, Merck's Primaxin, Hoechst-Roussel Pharmaceuticals Inc.'s Claforan and Pfizer's Cefobid; and 5) duty suspensions on ciprofloxacin hydrochloride used by Miles in Cipro and norfloxacin used by Merck in Noroxin, both of which compete with Dista Products Company's Cinobac. These are only a few examples of suspensions of duty permitted on compounds not manufactured by a U.S. producer whose final product faces therapeutic competition from U.S. manufacturers. SmithKline Beecham failed to raise objections to any of these duty suspensions. In addition, in none of the instances in which SmithKline Beecham products faced domestic competition did its competitors express opposition.

<u>Any competitive advantage to Glaxo resulting from duty suspension would be more than offset by the tax advantages enjoyed by SmithKline Beecham from Section 936 tax credits.</u>

Any potential advantage to Glaxo resulting from duty suspension is more than exceeded by advantages that SmithKline Beecham gains from the tax credits under Section 936 of the Internal Revenue Code. Section 936 excludes from U.S. taxation certain profits earned from Puerto Rican manufacturing operations. To take advantage of this tax credit, SmithKline Beecham manufactures virtually all of its cimetidine, the active ingredient used in Tagamet, and the finished Tagamet product in Puerto Rico.

According to SmithKline Beecham's own Form 20-F for the last fiscal year submitted to the Securities and Exchange Commission, SmithKline Beecham's benefit from tax-exempt income in Puerto Rico and Ireland amounted to tax savings of $88 million last year. Because all of SmithKline's Tagamet is produced in Puerto Rico, the Section 936 tax credit clearly gives SmithKline Beecham a competitive advantage over companies like Glaxo that produce their anti-ulcer drugs domestically. SmithKline Beecham's Section 936 tax credit on profits from its $527 million sales of

FORTNEY H. (PETE) STARK
9TH DISTRICT, CALIFORNIA

COMMITTEE
WAYS AND MEANS
DISTRICT OF COLUMBIA
SELECT NARCOTICS

CONGRESS OF THE UNITED STATES
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WASHINGTON, D.C. 20515

FOR IMMEDIATE RELEASE
WED. APRIL 3, 1991

FOR MORE INFORMATION CONTACT
PERRY PLUMART 202-225-5065

DRUG MANUFACTURERS USE NEW LAW FOR PROFIT GOUGING

Rep. Pete Stark (D-Hayward) accused the Nation's drug manufacturers of using a new law as an excuse to eliminate discounts to volume buyers of drugs like the Veteran's Affairs Department and Kaiser Permanente.

"Drug companies have reversed the intent of the new law for pure greed," Stark said. "Rather than giving volume discounts to volume purchasers, they are eliminating most discounts."

The new law, included in federal Medicaid reforms, required drug manufacturers to sell pharmaceutical drugs to Medicaid and MediCal at the same "best price" policy available to large volume purchasers like the Veterans Affairs Department, Department of Defense, and Kaiser Permanente HMO. Since the law took effect January 1, 1991, drug firms have raised prices across-the board to volume buyers.

"Drug makers, among the most profitable companies in America, rather than give a break to the poor in America, decided to take it away from everyone else," Stark said. "These monoplists are doing this on top of drug price inflation four times the general inflation rate."

DuPont-Merck, a major manufacturer of painkiller drugs which would have been heavily used if U.S. war casualties had been significant, eliminated discounts to DVA and DOD. The painkiller Percodan will now cost the VA and DOD $47.60, an increase of 832% over the previous $5.11. The painkiller Percocet will cost $43.70 a bottle from about $1.07.

FORTNEY H. (PETE) STARK
9TH DISTRICT, CALIFORNIA

COMMITTEES
WAYS AND MEANS
DISTRICT OF COLUMBIA
SELECT NARCOTICS

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

Insulin manufacturers, Eli Lily and Squibb Novo Nordisk both raised their prices about $2 per bottle. This will cost taxpayers $3.5 million when they buy insulin for DOD and DVA. HMO members in the East Bay will face higher monthly premiums.

"I will reintroduce legislation to deny tax breaks for drug companies that inflate drug prices above the consumer index," Stark said. "If the greed of the drug companies is going to cost taxpayers more, it is only right to take away their tax subsidies."

Stark had introduced legislation in 1990 to deny various special tax benefits to excessively-inflating drug companies including the Research and Development credit and Section 936 Puerto Rico benefits. Stark is a senior member of the Ways and Means Committee which has jurisdiction over tax issues.

"The drug manufacturers gouge consumers directly too," Stark said. "They have hiked prices to drugstores since the law went into effect."

Between March, 1990 and March, 1991, the price of the 24 most commonly proscribed drugs to drugstores increased 10.4%. Between October, 1990 when the law was passed and March of this year, drug prices to local druggists rose 5.3%.

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

INDUSTRY MEDIANS

RETURN ON SALES

	1990	1989
PHARMACEUTICALS	13.6%	13.0%
MINING, CRUDE-OIL PRODUCTION	8.7	9.6
BEVERAGES	7.8	6.1
SOAPS, COSMETICS	6.3	4.2
COMPUTERS (INCL. OFFICE EQUIP.)	5.7	5.9
PUBLISHING, PRINTING	5.5	6.4
CHEMICALS	5.5	6.6
SCIENTIFIC AND PHOTO. EQUIP.	4.9	5.1
FOREST PRODUCTS	4.4	7.1
METALS	4.4	4.6
PETROLEUM REFINING	4.0	3.6
METAL PRODUCTS	3.9	6.2
RUBBER AND PLASTICS PRODUCTS	3.6	4.8
AEROSPACE	3.5	3.2
APPAREL	3.3	4.4
ELECTRONICS	3.2	4.2
INDUSTRIAL AND FARM EQUIP.	3.1	3.8
FOOD	3.1	3.8
TRANSPORTATION EQUIPMENT	2.9	3.0
FURNITURE	2.7	4.6
BUILDING MATERIALS	2.4	3.9
MOTOR VEHICLES AND PARTS	1.9	3.0
TOBACCO	1.6	5.4
TEXTILES	0.0	1.9
THE 500 MEDIAN	4.1	4.7

RETURN ON ASSETS

	1990	1989
PHARMACEUTICALS	13.1%	14.0%
SOAPS, COSMETICS	8.7	7.6
BEVERAGES	7.9	6.8
COMPUTERS (INCL. OFFICE EQUIP.)	6.4	5.9
FOOD	6.2	7.0
CHEMICALS	5.8	6.7
SCIENTIFIC AND PHOTO. EQUIP.	5.7	6.6
RUBBER AND PLASTICS PRODUCTS	5.2	6.0
PETROLEUM REFINING	5.0	4.1
METAL PRODUCTS	4.8	6.7
PUBLISHING, PRINTING	4.8	7.7
AEROSPACE	4.6	3.9
MINING, CRUDE-OIL PRODUCTION	4.5	4.2
ELECTRONICS	4.4	5.2
METALS	4.4	6.1
FURNITURE	4.4	7.9
FOREST PRODUCTS	4.3	7.3
APPAREL	4.2	6.7
INDUSTRIAL AND FARM EQUIP.	3.9	3.9
TOBACCO	3.9	5.3
TRANSPORTATION EQUIPMENT	3.7	3.5
MOTOR VEHICLES AND PARTS	2.3	2.5
BUILDING MATERIALS	2.1	4.5
TEXTILES	0.1	3.0
THE 500 MEDIAN	4.8	5.9

RETURN ON STOCKHOLDERS' EQUITY

	1990	1989
PHARMACEUTICALS	30.4%	30.8%
SOAPS, COSMETICS	18.6	18.9
FOOD	16.5	20.7
BEVERAGES	15.5	23.2
MINING, CRUDE-OIL PRODUCTION	15.1	12.7
TOBACCO	14.0	20.1
PETROLEUM REFINING	13.8	10.4
CHEMICALS	13.8	15.9
ELECTRONICS	13.4	14.5
AEROSPACE	13.4	10.2
APPAREL	12.9	19.5
METAL PRODUCTS	12.9	18.4
COMPUTERS (INCL. OFFICE EQUIP.)	12.8	12.8
SCIENTIFIC AND PHOTO. EQUIP.	11.8	13.0
FURNITURE	11.4	14.0
INDUSTRIAL AND FARM EQUIP.	10.9	12.1
BUILDING MATERIALS	10.8	13.6
METALS	10.7	17.0
PUBLISHING, PRINTING	10.4	15.9
FOREST PRODUCTS	10.1	16.9
RUBBER AND PLASTICS PRODUCTS	9.8	12.9
TRANSPORTATION EQUIPMENT	8.6	10.9
MOTOR VEHICLES AND PARTS	7.2	9.8
TEXTILES	2.9	10.1
THE 500 MEDIAN	13.0	15.0

INDUSTRY MEDIANS

CHANGES IN SALES

INCREASES	
PETROLEUM REFINING	20.0%
MINING, CRUDE-OIL PRODUCTION	13.5
BEVERAGES	13.4
PHARMACEUTICALS	11.7
SOAPS, COSMETICS	11.0
TOBACCO	8.8
INDUSTRIAL AND FARM EQUIPMENT	8.4
COMPUTERS (INCLUDES OFFICE EQUIP.)	8.1
METAL PRODUCTS	7.2
FOOD	6.9
FURNITURE	6.5
ELECTRONICS	6.2
CHEMICALS	5.8
SCIENTIFIC AND PHOTO. EQUIPMENT	5.0
AEROSPACE	4.9
RUBBER AND PLASTICS PRODUCTS	4.6
TRANSPORTATION EQUIPMENT	4.0
APPAREL	3.8
BUILDING MATERIALS	3.6
FOREST PRODUCTS	2.1
PUBLISHING, PRINTING	1.1
DECREASES	
METALS	5.3%
MOTOR VEHICLES AND PARTS	4.0
TEXTILES	1.9

CHANGES IN PROFITS

INCREASES	
PETROLEUM REFINING	32.6%
PHARMACEUTICALS	17.0
SOAPS, COSMETICS	16.6
MINING, CRUDE-OIL PRODUCTION	13.4
METAL PRODUCTS	11.3
BEVERAGES	9.8
AEROSPACE	8.9
COMPUTERS (INCLUDES OFFICE EQUIP.)	4.6
FOOD	4.1
FURNITURE	2.9
ELECTRONICS	0.2
DECREASES	
TRANSPORTATION EQUIPMENT	96.3%
TEXTILES	79.0
BUILDING MATERIALS	53.8
METALS	44.1
FOREST PRODUCTS	39.2
RUBBER AND PLASTICS PRODUCTS	33.0
MOTOR VEHICLES AND PARTS	26.9
PUBLISHING, PRINTING	11.9
TOBACCO	11.0
SCIENTIFIC AND PHOTO. EQUIPMENT	8.1
INDUSTRIAL AND FARM EQUIPMENT	7.2
CHEMICALS	1.9
APPAREL	0.9

TOTAL RETURN TO INVESTORS, 1990

PHARMACEUTICALS	10.3%
BEVERAGES	10.3
SOAPS, COSMETICS	5.3
FOOD	3.7
SCIENTIFIC AND PHOTO. EQUIPMENT	1.8
CHEMICALS	-3.8
PETROLEUM REFINING	-3.8
ELECTRONICS	-8.3
AEROSPACE	-8.7
TOBACCO	-8.7
METAL PRODUCTS	-11.8
FURNITURE	-12.3
MINING, CRUDE-OIL PRODUCTION	-14.0
FOREST PRODUCTS	-17.0
COMPUTERS (INCLUDES OFFICE EQUIP.)	-17.1
METALS	-18.7
MOTOR VEHICLES AND PARTS	-21.8
INDUSTRIAL AND FARM EQUIPMENT	-22.0
PUBLISHING, PRINTING	-22.7
RUBBER AND PLASTICS PRODUCTS	-26.9
BUILDING MATERIALS	-30.3
TRANSPORTATION EQUIPMENT	-36.9
APPAREL	-37.0
TEXTILES	-41.0
THE 500 MEDIAN	-10.2

6 MICHAEL D. EISNER, Walt Disney, **$11,223,000**

7 JOSEPH D. WILLIAMS, Warner Lambert, **$8,483,000**

8 DAVID O. MAXWELL, Federal Natl. Mortgage, **$7,568,000**

9 GEORGE V. GRUNE, Reader's Digest, **$7,463,000**

10 P. ROY VAGELOS, Merck, **$7,142,000**

Why should Disney's Eisner, who made $11.2 million in '90, be paid in one day more than the average Disney employee earns for the entire year? How an investor answers that and fighting for every penny will affect the [illegible]

OUTSTRIPPING INFLATION

THE 20 HIGHEST-PAID CHIEF EXECUTIVES...

	Company	1990 salary and bonus	Long-term compensation	Total pay
		Thousands of dollars		
1. **STEPHEN M. WOLF**	UAL	$1,150	$17,151	$18,301
2. **JOHN SCULLEY**	Apple	2,199	14,531	16,730
3. **PAUL B. FIREMAN**	Reebok	14,522		14,822
4. **DEAN L. BUNTROCK**	Waste Management	782	10,708	12,290
5. **LEON C. HIRSCH**	U.S. Surgical	1,126	10,148	11,676
6. **MICHAEL D. EISNER**	Walt Disney	233		11,233
7. **JOSEPH D. WILLIAMS**	Warner Lambert	983	6,899	8,483
8. **DAVID O. MAXWELL**	Federal National Mortgage	1,039	6,529	7,568
9. **GEORGE V. GRUNE**	Reader's Digest	1,192	6,271	7,463
10. **P. ROY VAGELOS**	Merck	2,092	5,050	7,142
11. **RAND V. ARASKOG**	ITT	1,344	5,679	7,023
12. **RICHARD D. WOOD**	Eli Lilly	791	5,104	5,895
13. **DANIEL B. BURKE**	Capital Cities ABC	833	5,784	6,617
14. **WILLIAM S. EDGERLY**	State Street Boston	953	5,561	6,514
15. **ROBERT P. LUCIANO**	Schering-Plough	645	4,541	5,186
16. **MARTIN S. DAVIS**	Paramount Communications	1,540	2,814	4,354
17. **JAMES E. PRESTON**	Avon Products	1,188	3,961	5,149
18. **ROBERTO C. GOIZUETA**	Coca-Cola	1,142	3,900	5,042
19. **H. WILLIAM LURTON**	Kaiser	880	3,899	4,779
20. **ROBERT E. CAWTHORN**	Rhone-Poulenc Rorer	1,054	4,435	5,489

...AND 10 WHO AREN'T CEOs

	Company	1990 salary and bonus	Long-term compensation	Total pay
1. **JOHN A. SHIRLEY** Pres.*	Microsoft	$414	$21,194	$21,608
2. **FRED W. LYONS JR.** Pres.	Marion Merrell Dow	1,178	9,091	10,269
3. **ERNST WEIL** Exec. V.P.	Salomon	6,640	800	7,440
4. **THOMAS S. MURPHY** Chmn.	Capital Cities ABC	1,013	5,604	6,617
5. **DONALD R. KEOUGH** Pres.	Coca-Cola	2,103	4,299	6,402
6. **FRANK G. WELLS** Pres.	Walt Disney	5,642		5,642
7. **JOHN C. POPE** Vice-Chmn.	UAL	655	4,720	5,375
8. **LEONARD COHEN** Pres.	National Medical Enterprises	1,408	3,751	5,159
9. **EUGENE L. STEP** Exec. V.P.	Eli Lilly	914	4,193	5,107
10. **JOHN E. LYONS** Vice-Chmn.*	Merck	1,133	3,955	5,088

*Resigned or retired

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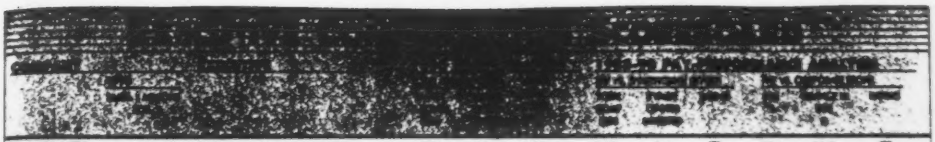

GREAT LAKES CHEMICAL	1066.3 18.9	**E. Rampa, chmn., pres. & CEO** **E. T. Jeffers, v-p & CFO**	905 248	12 11	179 0	3082 830	241	T T	20.4	33.8	T T
HERCULES	3199.9 4.9	**D. S. Hollingsworth, chmn. & CEO†** **F. L. Bednar, pres. & COO**	1058* 498	94 28	0 0	2216 1306	85	S S	1.9	–86.8	S S
		*Includes $350,000 lump-sum payment under retirement arrangement. Shares of restricted stock granted: chmn., 2,450; pres., 1,700.									
LUBRIZOL	1452.7 25.8	**L. E. Coleman, chmn. & CEO†** **W. G. Bares, pres. & COO†**	922 646	48 51	169 58	2789 1736	156	T T	19.9	97.3	T T
LYONDELL PETROCHEMICAL	6495.0 936.8	**B. G. Gower, pres. & CEO** **D. F. Smith, exec. v-p & CFO**	878 446	8 17	0 151	2363 1333	NA	NA NA	1773.5	NA	NA NA
MONSANTO	8995.0 13.4	**R. J. Mahoney, chmn. & CEO** **E. M. Herbison Jr., pres. & COO**	1220 855	–7 –5	333 0	4749 3722	128	S S	15.4	19.5	S S
MORTON INTERNATIONAL	1798.9 13.1	**C. S. Locke, chmn. & CEO** **S. J. Stewart, pres. & COO**	1073 610	NA NA	687 171	NA NA	NA	NA NA	NA	NA	NA NA
NALCO CHEMICAL	1212.3 47.2	**W. H. Clark, chmn. & CEO†** **D. E. Jackson, exec. v-p-Int'l. ops†**	1022 574	16 17	647 343	4369 2389	183	S S	38.7	162.9	T T
ROHM & HAAS	2824.2 16.8	**J. L. Wilson, chmn.** **J. P. Mulroney, pres.**	759e 637e	12 7	0 38	2499 2184	121	S S	16.4	–9.4	S S
		Shares of restricted stock granted: chmn., 7,238; pres., 4,056.									
UNION CARBIDE	7621.0 13.0	**R. D. Kennedy, chmn. & CEO** **H. W. Lichtenberger, pres. & COO**	1415 901	0 –3	0 0	6438 2668	90	A A	24.4	–30.2	S S
9 CONGLOMERATES (INDUSTRIAL: LOW TECH)											
ALCO STANDARD	4418.3 12.2	**R. B. Mundt, chmn. & CEO** **R. C. Gozon, pres. & COO**	1041 681	–11 –5	0 0	3807 2160	174	S S	15.6	–7.5	S S
ALLIED-SIGNAL	12343.0 13.7	**E. L. Hennessy Jr., chmn. & CEO** **A. Betzer, pres. & COO**	1688 1188	1 2	878 436	10374 5782	115	S A	14.4	–16.8	A A
GENERAL CINEMA	2198.8 7.3	**E. A. Smith, chmn. & CEO** **R. J. Terr Jr., pres. & COO**	1233 1167	17 21	0 343	3509 4700	107	S A	9.2	NA	NA NA
GENERAL ELECTRIC	57662.0 19.8	**J. F. Welch Jr., chmn. & CEO** **L. A. Bossidy, vice-chmn. & exec. off.**	2983 1988	13 12	2049 2293	10950 8668	142	S S	19.0	9.9	A A
HOUSEHOLD INTERNATIONAL	4319.7 16.0	**D. C. Clark, chmn. & CEO** **E. P. Hoffman, pres. & COO**	1160 1007	0 8	1437e 615	9234 4083	98	S A	16.1	–23.3	A A
ITT	20604.0 13.2	**R. V. Araskog, chmn. & CEO** **D. C. Thomas, pres. & COO†**	3844 1857	61 18	3179 1366	13623 7377	118	S S	12.1	–5.9	S S
		Shares of restricted stock granted: chmn. 80,508; pres. 8,475.									
PALL	611.3 15.2	**D. B. Pall, founder-chmn.** **A. Krueger, chmn.**	476 476	6 6	0 0	1514 1818	160	T T	16.2	–15.7	T S
ROCKWELL INTERNATIONAL	12431.7 14.7	**D. R. Beall, chmn. & CEO** **K. M. Black, exec. v-p & COO**	1492 755	10 26	2467e 864e	8625 NA	158	A NA	18.4	–23.3	A NA
TRINOVA	1451.1.0 16.1	**J. L. Keiselaus, chmn. & CEO†** **K. W. Reese, vice-chmn.†**	1880 1079	15 5	114 0	4707 2945	143	S S	10.9	NA	S T
		Shares of restricted stock granted: chmn., 11,170; vice-chmn., 8,000.									
TEXTRON	7913.0 10.7	**B. F. Dolan, chmn. & CEO†** **J. F. Hardymon, pres. & COO†**	2599 1473	12 30	0 0	6982 7119	134	A A	10.9	–6.1	A A
TRW	8169.0 10.9	**J. T. Gorman, chmn., pres. & CEO** **E. B. Dunford, exec. v-p**	1024 580	–3 1	38 274e	3396 1906	90	S S	14.2	–36.2	S S
USX	20659.0 13.9	**C. A. Corry, chmn.** **W. B. Thomas, vice-chmn.-admin. & CFO**	1593 1032	18 7	0 0	3927 3201	116	S S	14.9	410.3	S S
		Shares of restricted stock granted: chmn., 75,000; vice-chmn., 9,000.									
WHITTAKER CORP	2305.0 –19.6	**J. W. Cozad, chmn. & CEO** **M. L. Marsh, pres. & COO**	975 703	NA 156	2005e 0	NA NA	54	NA NA	16.5	NM	NA NA
10 CONTAINERS & PACKAGING (INDUSTRIAL: LOW TECH)											
CROWN CORK & SEAL	3072.1 11.3	**W. J. Avery, chmn., pres. & CEO** **J. B. Scott, chmn. & CEO-sub.**	427 217	21 20	0 6	4924 1031	161	S T	12.4	–17.7	A T
GREIF BROS. PRODUCTS	1669.1 9.8	**C. W. Cobey, chmn., pres. & CEO†** **R. C. King, Jr., pres. & COO†**	829 495	5 10	375 0	3224 1931	164	S A	17.1	–39.3	S S
TEMPLE-INLAND	2401.2 16.2	**C. J. Grum, pres. & CEO** **W. W. McDonald, exec. v-p & CFO**	797 606	–3 14	365 0	3303 2038	139	S S	16.9	6.0	S S
11 DRUGS (CONSUMER PRODUCTS)											
ABBOTT LABORATORIES	6158.7 34.1	**D. L. Burnham, chmn. & CEO** **T. R. Hodgson, pres. & COO**	1161 806	37 18	1699 1147	6932 5510	195	S A	32.0	12.8	S S
		Shares of restricted stock granted: chmn., 45,000; pres., 22,000.									
ALZA CORP	99.3 11.2	**M. S. Barstad, co-chmn., CEO & CFO** **J. B. Shaw, pres. & COO**	358 265	10 11	126e 0	3098 946	189	S T	10.6	11.6	S T
AMERICAN HOME PRODUCTS	6775.2 46.0	**J. R. Stafford, chmn. & CEO** **B. Comeron, pres.**	1700 977	8 22	0 0	7350 3719	161	S S	44.4	37.7	S S

Footnotes on page 96

ABBOTT	298.7 1.3	G. M. Binder, CEO G. B. Rathmann, chmn.	360 330	103 16	0 0	749 1079	402	[redacted]	2.1	23.1	[redacted]
C. R. BARD	785.3 11.8	G. T. Maloney, pres. & CEO R. H. McCaffrey, chmn.	459 350	9 –14	49 84	1832 1878	105	[redacted]	18.4	–43.1	[redacted]
BAUSCH & LOMB	1368.6 16.7	D. E. Gill, chmn. & CEO T. C. McDermott, pres. & COO	1340 793	5 11	519 506	6789 3803	215	[redacted]	16.1	12.6	[redacted]
BAXTER INTERNATIONAL	8100.0 –0.3	V. E. Loucks Jr., chmn. & CEO W. H. Goetz, pres.	1749 1035	20 11	620e 482e	6194 3981	130	[redacted]	7.2	NM	[redacted]
BECTON, DICKINSON	2066.1 15.1	R. V. Gilmartin, pres. & CEO C. Costellini, sector pres.-medical	729 327	25 11	328 49	3707 1331	152	[redacted]	15.1	–8.4	[redacted]
BIOMET	181.5 22.8	N. L. Nobbitt, chmn. D. A. Miller, pres. & CEO	223 210	–6 7	0 0	612 555	395	[redacted]	22.7	32.6	[redacted]
BRISTOL-MYERS SQUIBB	10300.0 32.3	R. L. Gelb, chmn. R. M. Furlaud, pres.	2102 1695	25 NA	2573 265	22205 NA	176	[redacted]	23.4	46.9	[redacted]
BUCYRUS GROUP	1546.4 9.2	G. D. Kennedy, chmn. & CEO‡ R. P. Bauholz, exec. v-p, pres.-sub.‡	1151 779	16 49	1178 755	7180 3300	164	[redacted]	9.6	NM	[redacted]
JOHNSON & JOHNSON	11232.0 23.3	R. S. Larsen, chmn. & CEO‡ R. E. Campbell, vice-chmn.‡	1082 977	28 25	5386 1403e	3371 4135	201	[redacted]	25.7	–2.4	[redacted]
ELI LILLY	5191.6 32.5	R. D. Wood, chmn., pres. & CEO E. L. Step, exec. v-p, pres.-sub.	1781 914	31 24	5104 4193	10980 8913	198	[redacted]	27.0	141.0	[redacted]
MARION MERRELL DOW	2462.0 38.6	J. G. Temple Jr., chmn. & CEO‡ F. W. Lyons Jr., pres.‡	1456 1177	NA NA	0 9091	NA NA	154	NA NA	39.3	20.9	NA NA
MEDTRONIC	976.7 19.0	W. R. Wallin, chmn. & CEO W. W. George, pres. & COO	791 496	18 NA	548e 199e	4372 NA	189	[redacted]	19.9	–13.2	[redacted]
MERCK	7671.5 46.5	P. R. Vagelos, chmn., pres. & CEO J. E. Lyons, vice-chmn.	2092 1133	–11 –18	5050 3955	20799 15937	180	[redacted]	43.7	8.5	[redacted]
PFIZER	6406.0 15.7	E. T. Pratt Jr., chmn. & CEO G. D. Laubach, pres.†	1573 1198	10 11	2201 0	9436 6646	187	[redacted]	16.4	–11.5	[redacted]
RHONE-POULENC RORER	2917.4 0.1	R. E. Cawthorn, chmn., pres. & CEO R. H. Thornton, exec. v-p & group pres. Shares of restricted stock granted: chmn. 5,896; exec. v-p, 2,017	1054 477	9 24	4833 957	7759 NA	303	[redacted]	11.6	–98.9	[redacted]
SCHERING-PLOUGH	3322.9 27.2	R. P. Luciano, chmn. & CEO‡ R. J. Kogan, pres. & COO‡	1694 1082	12 10	4691e 3159e	12251 7720	200	[redacted]	24.8	23.9	[redacted]
ST. JUDE MEDICAL	175.2 25.4	L. A. Lebowitz, pres. & CEO D. C. Makarewicz, div. pres. Shares of restricted stock granted: div. pres., 10,000	453 296	20 66	0 0	1161 NA	518	[redacted]	26.2	35.6	[redacted]
SYNTEX	1686.3 42.5	A. Bowers, chmn.* P. E. Freiman, pres. & CEO *Passed away 7/26/90.	1130 815	1 39	0e 0	4624 4054	199	[redacted]	44.5	3.4	[redacted]
U. S. SURGICAL	514.1 20.5	L. C. Hirsch, chmn., pres. & CEO T. Jacobson, exec. v-p-marketing	1128 627	8 8	10547e 4258e	17384 7263	458	[redacted]	18.9	21.1	[redacted]
UPJOHN	3032.7 29.6	T. Cooper, chmn. & CEO L. S. Smith, vice-chmn.	1344 414	13 26	1222e 62	6036 NA	136	[redacted]	22.3	62.4	[redacted]
WARNER-LAMBERT	4686.9 34.6	J. D. Williams, chmn. & CEO M. R. Goodes, pres. & COO	1585 1041	5 4	6898 1252	16442 7149	211	[redacted]	35.1	2.2	[redacted]

12 ELECTRICAL, ELECTRONICS (INDUSTRIAL, HIGH TECH)

AMP	3043.6 16.0	H. A. Mahnken, chmn. & CEO J. E. Morley, pres. & COO	577 472	23 9	42 108	1807 1575	101	[redacted]	18.1	–13.5	[redacted]
COOPER INDUSTRIES	6222.2 10.3	R. Cizik, chmn. & pres. A. E. Riedel, sr. v-p-admin.	1342 707	7 9	0 0	8004 4012	159	[redacted]	10.9	–6.0	[redacted]
EMERSON ELECTRIC	7727.9 19.9	C. F. Knight, chmn. & CEO A. E. Suter, pres. & COO	1774 650	0 NA	2153 0	8039 NA	119	[redacted]	19.3	15.3	[redacted]
RUSSELL	719.5 18.4	G. J. Radcliffe, chmn., pres. & CEO V. R. Petrucci, exec. v-p	709 417	11 11	573 112	2474 1299	165	[redacted]	18.3	4.6	[redacted]
RYR	3921.3 18.1	A. S. Greve, pres. & CEO G. E. Moore, chmn.	860 710	28 15	0 0	7965 1974	145	[redacted]	18.4	34.7	[redacted]
ATON INDUSTRIES	5155.1 13.3	O. L. Nash, chmn. & CEO J. T. Casey, vice-chmn. & CFO	1336 853	20 20	0 2435	7105 4656	107	[redacted]	13.8	1.7	[redacted]
OLEX	649.2 12.3	F. A. Krehbiel, vice-chmn. & CEO G. Tobiyama, pres.-sub.	516 436	–2 –4	0 119	1556 1669	127	[redacted]	13.7	–10.3	[redacted]
[redacted]FORDLA	10885.0 11.7	G. Fisher, chmn. & CEO J. Mitchell, vice-chmn.	931 764	20 –1	747 2151	3325 4437	110	[redacted]	12.7	14.5	[redacted]
[redacted]SIGNAL SERVICE SYSTEMS	1651.9 14.5	S. Kirschner, pres. & CEO E. Zobrist, chmn.	815 673	12 8	0 0	2118 1903	133	[redacted]	15.1	–2.4	[redacted]
[redacted]S	6567.0 –4.1	J. B. Jenkins, chmn., pres. & CEO W. P. Weber, exec. v-p	599 347	–15 –19	0 0	3013 1414	72	[redacted]	9.4	NM	[redacted]
[redacted]HNOLOGIES	12915.0 6.9	P. E. Lego, chmn. & CEO J. C. Marous, chmn.†	1681 1387	20 –12	513 627	6013 6999	129	[redacted]	16.5	–44.7	[redacted]

Footnotes on page 96

H.R. 176

To suspend temporarily the duty on Textile Winding or Reeling Machines

William O. Cordes
President

Corporate Offices
Hornaday Road
P. O. Box 18100
Greensboro, NC 27419

(919) 852-4200

DRAPER CORPORATION

April 23, 1991

Mr. Robert J. Leonard, Chief Counsel
Committee on Ways and Means
US House of Representatives
Room 1102, Longworth
Washington, DC 20515

Dear Mr. Leonard:

Draper Corporation recommends that the request for duty suspension on Textile Winding or Reeling machines, H.R. 176, be denied.

1. Textile machinery manufacturers need relief. The ITC found that industry shipments (in 1982 dollars) were down from $1.7 billion in 1960 to $948 million in 1986. ITC also reported the share of the US market held by imports went from 6.9% in 1960 to 57.5% in 1986.

2. We should not provide duty relief to any textile machinery exporting country that does not provide the same relief to imports from the US.

3. In light of the budget and trade deficits, it doesn't make any sense to either reduce income to the treasury or promote more imports.

Sincerely,

W. O. Cordes
President

WOC:pls

Statement before the Subcommittee on Trade
of the House Ways & Means Committee
by Steven B. Cord
President - Henry George Foundation of America
(2000 Century Plaza, Columbia MD 21044, 1-301-740-1177)
(Professor-Emeritus, Indiana University of Pennsylvania)

We stand for free trade - real free trade. Therefore, our members enthusiastically support all the duty suspension bills (H.R. 176, 753, 979, 996, 1036, 1037 and 1139), also all the extension of existing or expired suspension bills (H. R. 541, 584, 715, 716, 746, 1032, 1033, 1034, 1035, 1053, 1094 and 1095), also both classification bills (H.R. 970 and 1211), also all other bills reducing tariffs (such as H.R. 186, 570, 1071, 1102 and 1283).

You have heard all the usual reasons for opposing tariffs:

- they raise prices for consumers (and for those manufacturers using imported parts)
- they reduce imports, lessening wages for those working in importing firms
- they reduce our exports because if overseas customers can't sell to us, they have less money to buy from us
- they inhibit freedom of enterprise (let people buy and sell as they wish).

Henry George wrote: "What protection teaches us, is to do to ourselves in time of peace what enemies seek to do to us in time of war."

But tariffs are not the only levy having destructive impact on our economy. When we tax goods & services produced domestically, aren't those taxes exported overseas? Don't our goods & services cost more to our overseas customers if our exporters have to pay taxes when they're produced here in the U.S.A.? Don't domestic taxes, therefore, often price our exported goods & services out of competitive overseas markets?

Well, it might be said that we need domestic taxes on income and sales to pay for government expenses. Not so: a tax on land values could pay for governmental expenses, and such a tax is not paid by consumers, be they domestic or foreign; they have to be paid by the nominal owners of the land. Check with any basic economics textbook.

Land can't be exported; neither can a tax on its value. That's because the supply of land is fixed (the country won't shrink if land values are taxed), and because the supply doesn't go down, the price (of land) can't go up.

Tax land values more, and sites (many of which are foreign-owned) will have to be used efficiently.

Don't ordinary taxes have the same effect as tariffs? Shouldn't the federal government reduce its burgeoning deficit and raise its revenue by taxing land values rather than domestically-produced or foreign-produced goods and services?

Wouldn't it be wonderful to be free of all taxes on production, no matter where produced?

If we like free enterprise, should we be taxing it ? (Land isn't produced by free enterprise.) Isn't that a little like shooting yourself in the foot?

Tax land values, not goods, some of which are exported.

H.R. 186

To amend the Harmonized Tariff Schedule of the United States to increase the duty-free tourist allowance with respect to articles acquired in Bermuda

See Henry George Foundation of America statement at H.R. 176.

H.R. 541

Relating to the suspension of duty on certain chemicals

See Henry George Foundation of America statement at H.R. 176.

H.R. 570

Regarding certain entries of N-Acetylsufanilyl chloride

See Henry George Foundation of America statement at H.R. 176.

H.R. 584

To extend the temporary suspensions of duty on certain oxygen-function amino compounds

See Henry George Foundation of America statement at H.R. 176.

H.R. 715

To suspend until January 1, 1994, the duty on o-Benzyl-p-chlorophenol

See also Henry George Foundation of America statement at H.R. 176.

P. G. Gemeinhardt - Consultant
5006 S.E. Heartleaf Terrace
Hobe Sound, FL 33455
(407) 220-9147

April 26, 1991

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Gibbons:

I write on behalf of Mobay Corporation to express support for H.R. 715 that requests suspending duty on o-benzyl-p-chlorophenol and making the suspension retroactive to January 1, 1991. Mobay imports this chemical from its parent in Germany and markets the product in the United States under the tradename, PREVENTOL BP.

o-Benzyl-p-chlorophenol is used as a broad spectrum biocide. It is commonly used as the active ingredient in cleaning solutions and disinfectants, and continues to be the only known biocide that effectively kills mycobacterium tuberculosis - the bacteria causing TB. It is widely used in the health industry, particularly by hospitals, emergency treatment centers and nursing homes, where control of this bacteria is so important to the maintenance of a hygienically clean environment.

Extending the duty suspension on o-benzyl-p-chlorophenol will not harm American industry since there are no domestic producers of the chemical. U.S. demand is satisfied entirely from abroad. In addition, an extension will continue to effect cost savings for the end user, and ultimately the one who stands to benefit most by its use; the ill, physically afflicted or elderly consumer, in the form of contained or lower health care costs.

Mobay strongly supports H.R. 714 and urges passage of it by the Committee. If additional information is needed, please contact Paul Gemeinhardt by calling (407) 220-9147.

Thank you.

Sincerely yours,

P. G. Gemeinhardt

PGG/bjh

NIPA LABORATORIES, INC.

3411 Silverside Road 104 Hagley Building Wilmington, DE 19810
Telephone (302) 478-1522 • FAX (302) 478-4097

April 9, 1991

The Honorable Sam Gibbons
Chairman; Sub. Committee on Trade,
Ways and Means Committee
U.S. House of Representatives
1136 Longworth Blvd.
Washington, DC 20515

RE: House Bill HR 715
Sponsored by Congressman Tom Carper: Duty Suspension for o-benzyl-p-chlorophenol

Dear Congressman Gibbons:

I am writing in support of H.R. 715, a bill which would retroactively continue the duty suspension for o-benzyl-p-chlorophenol (OBPCP) from December 31, 1990 until January 1, 1994. In 1988 Nipa Labs initiated the "duty suspension" which expired January 1, 1991. It passed without opposition. However, as you know, efforts to pass legislation to continue this duty suspension without interruption was a casualty of last year's "budget problems".

The current status of OBPCP is the same as it was in 1988. There is no domestic producer. Two companies, Nipa Laboratories and Mobay Chemical, import products made by their respective parent companies in Europe for resale in the USA and for Nipa, other parts of the western hemisphere.

This product is a biocide used in disinfectant cleaning formulations that are used especially by hospitals and other health care facilities. These formulations are made and sold by many small businesses across the country.

OBPCP is an EPA-registered product. Thus its cost and selling price already bears the burden of hundreds of thousands of dollars of toxicology and environmental tests required to assure that it is "safe" to use in specified applications as well as environmentally friendly.

To impose a duty-cost on this product would be another hardship on not only Nipa Laboratories, but also the many formulators and end users across our country.

It is Nipa Labs' hope and plan to produce OBPCP in the USA at some future date. However, its production must be integrated with other similar products. We are working toward this goal.

For all these reasons, we respectfully request that the "duty suspension for OBPCP" be continued until January 1, 1994.

Cordially,

Robert H. Varland

Robert H. Varland
Vice President

RHV:ntt

H.R. 716

To extend the existing temporary suspension of duty on fusilade

See Henry George Foundation of America statement at H.R. 176.

H.R. 746

To extend until January 1, 1995, the existing suspension of duty on certain sulfonamides

See Henry George Foundation of America statement at H.R. 176.

H.R. 753

To suspend temporarily the duty on certain multifilament yarns of viscose rayon until January 1, 1994

See also Henry George Foundation of America statement at H.R. 176.

AMC

ALFRED MANUFACTURING CORP.

April 17, 1991

Ms Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U. S. House of Representatives
Washington, D. C. 20515

Dear Ms Martin:

I wish to be on record on behalf of Alfred Manufacturing Corp., that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company processes braids and trimmings for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Very truly yours,

Herb Spear, Pres.

aw/

pc: Mr. Harry Lamar, Pres.
Monticello Assocs.
818 Connecticut Ave. - 12th Fl.
Washington, D. C. 20006

350 WARREN STREET • JERSEY CITY, N.J. 07302 • (201) 332-9100

ALKAHN

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

March 18, 1991

Dear Ms. Martin:

I wish to be on record on behalf of Alkahn Labels, Inc. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company weaves woven labels for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to as "...less than 990 decitex, solution dyed" in H.R. 753.

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States, because the yarns are not produced and not offered for sale. Since the yarns are only available to us from a source off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

Robert G. Tolman
Plant Manager
Alkahn Labels, Inc.

cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue - 12th Floor
Washington, D.C. 20006

ALKAHN LABELS, Inc.
111 West 40th Street
New York, New York 10018
Telephone 212 398 0200
FAX No. 212 398 7921

MILLS
Cochran, GA — Weston, W VA
Cowpens, SC — Williamsport, MD
Prospect Park, NJ — Hong Kong

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

March 18, 1991

Dear Ms. Martin:

I wish to be on record on behalf of Pentex Woven Label that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company weaves woven labels for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to as "...less than 990 decitex, solution dyed" in H.R. 753.

We cannot purchase these yarns from North AMerican Rayon Corporation, the sole producer of rayon filament yarn in the United States , because the yarns are not produced and not offered for sale. Since the yarns are only available to us from a source off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the AMerican consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

Jeanne Marten

AMERICAN
FIBER MANUFACTURERS

Paul T. Ogus
President

February 25, 1991

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

On behalf of the American Fiber Manufacturers Association, Inc. I would like to place on the record our formal opposition to the enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon until January 1, 1994."

The U.S. production base for rayon fibers of all types has been shrunk to the point that we now account for well under 5% of world output. Just two years ago, our largest facility closed down under the burden of unsustainable environmental control costs. In the case of rayon filament fiber, the product line affected directly by H.R. 753, there is only a single plant currently producing in the U.S. (North American Rayon Corporation, based in Elizabethton, Tennessee).

This facility has overcome severe financial pressures during the past decade and has been able to remain in business since 1986 only as an employee-owned company. Its lone plant is a critical part of the U.S. defense and space supply system since it is the only government-certified producer of the carbonized rayon filament yarn essential for the construction of all major missile and space systems. NARCO can only produce this vital product as an adjunct to its regular commercial rayon fiber lines.

Enactment of H.R. 753 would seriously and unquestionably jeopardize the future prospects for this important firm. In the environmental control area alone -- where NARCO has an exemplary record -- U.S. costs continue to rise relative to foreign producers. NARCO is committed to meet these worthwhile public goals, but an abrupt removal of the modest U.S. tariffs on its commercial products would be unfair to the company and unwarranted as public policy in the context of the Nation's defense and space priorities.

Sincerely,

Paul T. O'Day

Paul T. O'Day

bcc: Sally Martin
Committee on Ways & Means

ATP SINCE 1875
AMERICAN TRIM PRODUCTS, INC.
P.O. BOX 279 TROY, PENNSYLVANIA 16947
(717) 297-2196 • FAX (717) 297-3252

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

March 18, 1991

Dear Ms. Martin:

I wish to be on record on behalf of American Trim Products that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company weaves woven labels for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

P.O. Box 151, Marlboro Industrial Park, Marlboro, New Jersey 07746
N.J. (201) 780-9555 N.Y. (212) 947-0160 Fax (201) 780-7641 Telex 317681

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S.House of Representatives
Washington, D.C. 20515

March 22, 1991

Dear Ms. Martin:

I wish to be on record on behalf of Arrow Woven Label that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon ...:.

My company weaves woven labels for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

JOEL SIMON

cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue - 12th Floor
Washington, D.C. 20006

ASTORIA BRAID MFG. CO., INC.

BRAIDED NARROW FABRICS

NEW YORK OFFICE:
TELETYPE 710-581-2887
PHONE: 736-7001, AREA CODE 212
THE EMPIRE STATE BUILDING, SUITE 622
350 FIFTH AVENUE
NEW YORK, N. Y. 10118

TELETYPE- -910-997-0430
PHONES: 367-7221, 367-7222, 367-7223 AREA CODE 919
BOONVILLE, N. C.
27011

March 25, 1991

MS. SALLY MARTIN
Trade Subcommittee Staff
Committee on Ways and Means
U. S. House of Representatives
Washington, D.C. 20515

Dear Ms. Martin:

I wish to be on record on behalf of Astoria Braid Mfg. Co., Inc. that we are wholeheartedly in favor and strongly support enactment of H.R.753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company processes braids and trimmings for use in the appareltrade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the dutywill reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

ASTORIA BRAID MFG. CO., INC.

ROBERT DORFMAN

Danville Chenille Co., Inc.

MANUFACTURERS OF
CHENILLES, FLOSS AND THREADS
P.O. Box 1000 — Rt. 111A
DANVILLE, NEW HAMPSHIRE 03819
603-382-5553

March 22, 1991

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Martin:

I wish to be on record on behalf of Danville Chenille Co., Inc. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company produces fishing lures and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to as "...less than 990 decitex, solution dyed" in H.R. 753.

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States, because the yarns are not produced and not offered for sale. Since the yarns are only available to us from a source off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely,

Raymond S. Merrick
President

RSM/laf
cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue - 12th Floor
Washington, D.C. 20006

GEORGE W. LOWNEY
ANDREW C. LOWNEY
LORRAINE A. LOWNEY

PHONE: (215) 743-7492
CABLE ADDRESS
"GRIFLECO"

GRIP-FLEX CORP.

Manufacturers

UNIFORM ACCESSORIES BRAID ELASTIC PRODUCTS

2245 EAST ONTARIO ST. PHILADELPHIA, PENNSYLVANIA 19134

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

March 18, 1991

Dear Ms. Martin:

I wish to be on record on behalf of Grip-Flex Corp. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company processes braids and trimmings for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

George W. Lowney

George W. Lowney
President

cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Ave. - 12th fl.
Washington, D.C. 20006

Contractors to the United States Government

PHONE (215) 425-5656

HUNTINGDON YARN MILL, INC.

Novelty Yarns for Knitting and Weaving

SPECIALIZING IN METALLIC YARNS

OFFICE AND FACTORY

3114-30 E. THOMPSON STREET • PHILADELPHIA, PA. 19134

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

April 11, 1991

Dear Ms. Martin:

I wish to be on record on behalf of Huntingdon Yarn Mill that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company produces novelty yarns for use in the apparel and home furnishing trades and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "... less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please fell free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

Majid Jaraha

cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue - 12th Floor
Washington, D.C. 20006

IDEAL BRAID CORP.
BARTHELS INDUSTRIES
Quality Braids Since 1898

79-18 69TH PLACE GLENDALE, N.Y. 11385 (718) 821-8883, 821-7090

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

April 22, 1991

Dear Ms. Martin:

I wish to be on record on behalf of Ideal Braid Co. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon..."

My company processes braids and trimmings for the use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely Yours,

Martin Dick, President

md/asw

cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue- 12th Floor
Washington, D.C. 20006

Jaunty
THE JAUNTY TEXTILE CORPORATION

Ralf Naumann
VICE PRESIDENT

April 19, 1991

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Ms. Martin:

I wish to be on record on behalf of Jaunty Textile Corp. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

Jaunty Textile Corp. weaves fabric for application in apparel and linings and uses multifilament single yarns imported under HTS subheading 5403.31.00 of decitex 67-84, referred to as "less than 99 decitex" in H.R. 753.

We cannot purchase this yarn from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarn is not produced and not offered for sale. Since the yarn is only available to us from a source offshore, we support enactment of H.R. 753 to suspend temporarily the duty on this product. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

R. Naumann

15 Poplar Street · P.O. Box 935 · Scranton, PA 18501 · (717) 346 8421 · Telex: 846013 · Fax: (717) 346 8306

LENDING TEXTILE INC.

FACTORY: 169 Miller Ave. Montgomery, PA 17752 717-547-6636
OFFICE: 179 Christopher St. New York, NY 10014 212-242-7502

April 24, 1991

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Ms. Martin:

I wish to be on record on behalf of Lending Textile Co. Inc. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain mutifilament yarns of viscose rayon..."

My company braids, knits and weaves narrow trimming, for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to as "...less than 990 decitex, solution dyed" in H.R. 753.

We cannot purchase these yarns from North America Rayon Corpation, the sole producer of rayon filament yarn in the United States, because the yarns are not produced and not offered for sale. Since the yarns are only available to us from a source off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American Consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely,

Eugene F. Hamm

Eugene F. Hamm
President L.T.I.

cc: Mr. Harry Lamar, Pres.
Monticello Associates
818 Connecticut Ave.
12th floor
Washington, D.C. 20006

LONDON YARN CO.

CONVERTERS AND MANUFACTURERS
COTTON - YARNS - RAYONS

RAND-I-MOR TEXTILE CO.
Cotton and Polyester
BOBBINS

569 FIFTY-SIXTH STREET
P.O. BOX 269
WEST NEW YORK, N.J. 07093
(201) 863-8171-2-3

April 11, 1991

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C.
20515

Dear Ms. Martin,

I wish to be on record, on behalf of London Yarn Company, that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon..."

My company processes and produces Schiffli and Embroidery yarns for application in apparel and industrial end-use products. We use multifilament single yarns, imported under H.T.S. subheading 5403.31.00, referred to in H.R. 753 as, "...less than 990 decitex, solution dyed."

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States, because the yarns are not produced and not offered for sale by them. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost, and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information that may help you to recommend the bill for passage.

Sincerely yours,

Henry M. London, Vice-President
LONDON YARN COMPANY

cc:

Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue
12th Floor
Washington, D.C.
20006

NORTH AMERICAN RAYON CORPORATION
AN EMPLOYEE OWNED COMPANY

CHARLES K. GREEN
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

February 22, 1991 FEDERAL EXPRESS

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
U. S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

On behalf of the North American Rayon Corporation (NAR), I would like to express the strongest possible opposition to the enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon until January 1, 1994."

North American Rayon Corporation is an employee owned company based in Elizabethton, Tennessee. Our work force totals over 1500 employees. Most importantly with regard to H.R. 753, NAR is the last remaining producer of the rayon filament yarns covered by this bill in the United States. The duty removal contained in H.R. 753, would affect a substantial number of our main-line products and its enactment would have an immediate serious effect on our competitive position.

All of the products covered by the tariff lines specified in H.R. 753 are either now being produced, have been recently been produced, or could be produced by our company.

All of us at NAR take great pride in the quality of our operation, particularly with regard to the strict environmental standards that we meet in every aspect of our business. These standards are costly, and they are not applicable to most if not all foreign producers. The small remaining tariff helps to maintain a more level and fairer global marketing structure for our products.

We believe it is also important to note that NAR is the only certified supplier of the carbonized filament yarn necessary for all missiles and spacecraft produced and

used by the U.S. military and by NASA. This critical product is an adjunct to our basic production facility and cannot be produced on a stand-alone basis. The abrupt change in the competitive environment for so many of our commercial lines envisaged in H.R. 753 would jeopardize our ability to maintain a continuing and reliable supply of these products that are so necessary to the Nation's security.

Thank you for the opportunity to comment. Please do not hesitate to contact me for any additional information.

Sincerely,

Charles K. Green
President & CEO

CKG/ph

JAMES H. QUILLEN
FIRST DISTRICT, TENNESSEE

COMMITTEE
...

...

WASHINGTON OFFICE
Room 102
Cannon House Office Building
Washington, DC 20515

Congress of the United State
House of Representatives
Washington, DC 20515

May 1, 1991

Dear Mr. Chairman:

I've received the enclosed letter from Charles K. Green, President of North American Rayon Corporation, regarding H. R. 753, which would suspend the duty on certain multi-filament viscose yarn.

I share his concern over the possibility that such a suspension of duty would place this company, which is the last fiber producer of filament yarn in the United States, at an economic disadvantage.

I hope you will give careful consideration to the points raised in Mr. Green's letter as your committee considers H. R. 753.

Sincerely,

James H. Quillen

Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
U.S. House of Representatives
Wasnington, D.C. 20515

cc: Mr. Charles K. Green

NORTH AMERICAN RAYON CORPORATION
AN EMPLOYEE OWNED COMPANY

CHARLES K. GREEN
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

April 26, 1991

FAX 202-225-7812
615-247-8164

The Honorable James H. Quillen
Room 102
Cannon House Office Building
Washington, DC 20515

Dear Jimmy:

I am sorry that I missed you Friday morning but I spoke with Cheryl in Kingsport and I expressed to her my concern on H.R. 753 which is a bill that would suspend the duty on certain multi filament viscose yarn.

As I mentioned to Cheryl, AZKO, a company in Germany, has hired a law firm in New York and a lobbyist in Washington to try to have the duty removed from products which they ship into the U.S. and compete directly with North American Rayon's products. They are making allegations that these products are not available in the U.S. which is a falsehood. All of the products covered by the tariffs listed specifically in H.R. 753 are either now being produced, have been produced or could be produced by North American Rayon.

Jimmy, I know you are aware that North American Rayon is the last fiber producer of filament yarn in the U.S. We are also the only certified supplier of precursor carbonizable fiber that is necessary for the space shuttle and various programs such as the patriot and cruise missiles for the Department of Defense.

If this foreign company is successful in having the duty removed it would put North American Rayon at a competitive disadvantage as well as threaten the viability of our operation.

It is my understanding the bill is being considered in one of the subcommittees of the Ways and Means Committee. I have been in contact with Congressman Dan Rostenkowski and Congressman Don Sundquist. It is my intent to contact some of the other members of the Ways and Means Committee such as Congresswoman Nancy Johnson from Connecticut.

WEST ELK AVENUE • ELIZABETHTON, TENNESSEE 37643 • 615/543-3141

I would appreciate your help in this matter and if you need any additional information, please contact my office.

Sincerely,

Charles K. Green
President

CKG/ph

Robison-Anton
Textile Company

RA

SPECIALIZING IN FINE DECORATIVE
YARNS AND EMBROIDERY THREADS
FOR OVER 80 YEARS

March 21, 1991

Ms. Sally Martin
Trade Subcommitte Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Ms. Martin:

I wish to be on record on behalf of Robison-Anton Textile Company that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon..."

My company processes and produces Schiffli and Embroidery yarns for application in apparel and industrial end-use products and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 200 decitex with tenacity not less than 20 c/N tex and not greater than 27 c/N tex" and less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,
ROBISON-ANTON TEXTILE CO.

Bruce N. Anton
President

BNA:11

175 BERGEN BLVD · P.O. BOX 159 · FAIRVIEW, NJ 07022 · TEL. 201/941-0500 · 212/695-3347 · FAX 201-941-8994 · TWX 710-992-0201

SCHNEIDER MILLS INDUSTRIES, INC.

P.O. BOX 518 - TAYLORSVILLE, N.C. 28681
TELEPHONE 704-632-8181

March 29, 1991

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Ms. Martin

I wish to be on record on behalf of Schneider Mills Industries, Inc. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company weaves fabric for application in apparel and linings and uses multifilament single yarns imported under HTS subheading 5403,31,00 of decitex 67-84, referred to as "less than 99 decitex" in H.R. 753.

We cannot purchase this yarn from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarn is not produced and not offered for sale. Since the yarn is only available to us from a source off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on this product. Suspension of the duty will reduce our cost and enable us to offer a more reasonable priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,
SCHNEIDER MILLS INDUSTRIES INC.

Isadore Schneider
President

IS/ss
CC: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue - 12th Floor
Washington, D.C. 20006

WE ARE AN EQUAL OPPORTUNITY EMPLOYER

SHER WOVEN LABEL COMPANY, INC.
manufacturers of Woven Labels
62 WEST 38TH STREET
(212) 391-8100
FAX: (212) 391-2668
NEW YORK, N. Y. 10018
MILLS: SANFORD, MAINE
WARTBURG, TENN.

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

March 18, 1991

Dear Ms. Martin:

I wish to be on record on behalf of Sher Woven Label Co. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company weaves woven labels for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to as "...less than 990 decitex, solution dyed" in H.R. 753.

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States, because the yarns are not produced and not offered for sale. Since the yarns are only available to us from a source off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

Eric Sherman, Pres.

cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue - 12th Floor
Washington, D.C. 20006

Dyers and Processors of all synthetic yarns for:
■ KNITTING ■ BRAIDING ■ WEAVING ■ TRIMMING

Simtex YARNS INC.

FACTORY
214 CANAL ST.
FORT PLAIN, NEW YORK 13339
(518)993-2518 (518)993-3581 FAX

OFFICE
P.O.BOX 56
ARMONK, NEW YORK 10504
(914)273-5300,18 (914)273-6347 FAX

April 23, 1991

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Ms. Martin,

I wish to go on record on the behalf of SIMTEX YARNS, INC. that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company twists, knits,and processes these yarns for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to as "...less than 900 decitex, solution dyed" in H.R. 753.

We cannot purchase these yarns from North American Rayon Corp.,the sole producer of rayon filament yarn in the United States, because the yarns are not produced and not offered for sale. Since the yarns are only available to us from off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

Steven W. Simon, Treasurer

cc: Mr. Harry Lamar,President
Monticello Associates
818 Connecticut Ave. 12th Floor
Washington, D.C. 20006

Thomas Taylor & Sons, Inc.
QUALITY NARROW FABRICS SINCE 1864
50 HOUGHTON STREET · HUDSON, MASSACHUSETTS 01749 U.S.A. · 617 562-3401
TELEX: 710-347-0301

March 27, 1991

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Ms. Martin:

We wish to be on record on behalf of Thomas Taylor & Sons, that we are wholeheartedly in favor and strongly support the enactment of H.R. 753, a bill "to temporarily suspend the duty on certain multifilament yarns of viscose rayon..."

Our company weaves and makes braid for use in the apparel and related trades and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 990 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely,

Robert A Scerra
V.P. & Gen. Mngr.

Robert S. Veith
Purchasing Mngr.

cc: Mr. Henry Lamar, President
Monticello Associates
818 Connecticut Avenue
Washington, D.C 20006

Trimtex® COMPANY, INC.

April 4, 1991

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Ms. Martin:

I wish to be on record on behalf of Trimtex Company, Inc., that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company processes braids and trimmings for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H.R. 753 as "...less than 900 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H.R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

James C. Fink

James C. Fink
Purchasing Agent

cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue - 12th Floor
Washington, D.C. 20006

400 PARK AVENUE
WILLIAMSPORT, PA 17701

P.O. BOX 1388
WILLIAMSPORT, PA 17703-1388

PHONE: 717-326-9135
FAX: 717-326-4250

WARNER Woven Labels, Inc.
400 Virginia Street
P.O. Box 127
Hillsville, VA 24343
703 728-2121
FAX: 703 728-3458

WARNER

Ms. Sally Martin
Trade Subcommittee Staff
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

March 18, 1991

Dear Ms. Martin:

I wish to be on record on behalf of Warner Woven Labels that we are wholeheartedly in favor and strongly support enactment of H.R. 753, a bill "to suspend temporarily the duty on certain multifilament yarns of viscose rayon...".

My company weaves woven labels for use in the apparel trade and uses multifilament single yarns imported under H.T.S. subheading 5403.31.00 referred to in H. R. 753 as "...less than 900 decitex, solution dyed".

We cannot purchase these yarns from North American Rayon Corporation, the sole producer of rayon filament yarn in the United States because the yarns are not produced and not offered for sale. Since the yarns are only available to us from sources off-shore, we support enactment of H. R. 753 to suspend temporarily the duty on these products. Suspension of the duty will reduce our cost and enable us to offer a more reasonably priced product to our trade and ultimately to the American consumer.

Please feel free to contact us for any additional information which may help you to recommend the bill for passage.

Sincerely yours,

GLENN O. SIMMONS
VICE PRESIDENT

cc: Mr. Harry Lamar, President
Monticello Associates
818 Connecticut Avenue - 12th Floor
Washington, D.C. 20006

H.R. 970

To amend the Harmonized Tariff Schedule of the United States to clarify the classification of certain paper used in photography

See Henry George Foundation of America statement at H.R. 176.

H.R. 979

To suspend temporarily the duty on Diaphone V

See Henry George Foundation of America statement at H.R. 176.

H.R. 996

To suspend temporarily the duty on fluometuron and IBTF

See Henry George Foundation of America statement at H.R. 176.

H.R. 1032

To extend until January 1, 1994, the existing suspension of duty on 3-Ethylamino-p-cresol

See Henry George Foundation of America statement at H.R. 176.

H.R. 1033

To extend until January 1, 1994, the existing suspension of duty on sethoxydim

See Henry George Foundation of America statement at H.R. 176.

H.R. 1034

To extend until January 1, 1994, the existing suspension of duty on B-Naphthol

See also Henry George Foundation of America statement at H.R. 176.

SYNTEX (U.S.A.) INC.
3401 HILLVIEW AVENUE
PALO ALTO, CALIF. 94304

STEPHEN CORLESS VICE PRESIDENT (415) 855-6181

April 19, 1991

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

On behalf of Syntex (USA) Inc., I am submitting these comments for the public record with respect to HR 1034, a bill to continue the duty suspension on ß-naphthol until January 1, 1994 and retroactive from December 30, 1990.

Inasfar as we can determine, there are no domestic manufacturers of ß-naphthol which, amongst other important industrial uses, has application as a pharmaceutical intermediate.

Although Syntex is a major importer of ß-naphthol, there would be no loss of revenue to the Treasury as a result of a duty suspension since Syntex is positioned to claim drawback of duties. Syntex strongly supports a duty suspension as a preferable alternative to the administrative costs to both our business and U.S. Customs which are associated with drawback.

In 1983, a three year suspension was granted by Congress in recognition of the competitive disadvantages faced by U.S. industry should they be unfairly penalized with this duty expense. Since then, conditions have not changed therefore we urge the Conumittee to endorse HR 1034.

Respectfully submitted,

Stephen W. Corless

SWC/eh
WPP442

H.R. 1035

To extend until January 1, 1994, the existing suspension of duty on Diamino Imid SP

See Henry George Foundation of America statement at H.R. 176.

H.R. 1036

To suspend temporarily the duty on Pigment Blue 60

See also Henry George Foundation of America statement at H.R. 176.

BASF Corporation

BASF

Robert G. Thoma
Vice President
Government Relations

April 29, 1991

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Ofc. Bldg.
Washington, DC 20515

RE: H. R. 1036

Dear Mr. Leonard:

This letter is to recommend that the Trade Subcommittee of the House Ways and Means Committee delay a decision relative to H.R. 1036 (Pigment Blue 60) by Rep. Guy Vander Jagt until after the U.S. Department of Commerce can investigate the representations made by Sun Chemical Corporation in its letter of March 19, 1991.

This letter states, "Sun Chemical is a domestic producer of Blue 60, which started production in 1990. We have made production in our plant." At this point, we do not know precisely what these words mean, because BASF can find no evidence in the marketplace that Sun Chem is either producing this product in commercial quantities or is offering it for sale to pigment users generally.

At this point, we are assured that the Department of Commerce will be making an inquiry into Sun Chem's claims with respect to Blue 60, to determine whether the product is, indeed, being produced and offered for sale in commercial quantities.

We respectfully request, therefore, that the Trade Subcommittee not prejudge the propriety of a duty suspension for Pigment Blue 60 until after the Department of Commerce shares with you its findings on the status of Sun Chem's alleged production of this product.

Sincerely,

Robert G. Thoma

Mobay

A Bayer USA INC COMPANY

Dyes, Pigments and Organics Division

Mobay Corporation
Mobay Road
Pittsburgh, PA 15205-9741
Phone 412 777 2000

April 25, 1991
RGK04164

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U. S. House of Representatives
1107 Longworth House Office Building
Washington, DC 20515

Dear Chairman Gibbons:

As a representative of Mobay Corporation's Dyes, Pigments, and Organics Division, I am writing to you concerning the matter of H. R. 1036, "To suspend temporarily the duty on Pigment Blue 60," and H. R. 1037, "To suspend temporarily the duty on Pigment Blue 16."

As manufacturers of competitive pigments (Pigment Violet 23 in the former case and Pigment Blues 15, 15:1, 15:2, 15:3, and 15:4 in the latter) in our plants in Haledon, New Jersey, and Bushy Park, South Carolina, we would like to voice our objections to the proposed bills. Passage of these bills would materially affect our competitive position in this segment of pigment products and likely result in loss of business and reduction in work force for pigment production.

We appreciate your consideration in taking this matter into account.

Sincerely,

Rolf G. Kuehni
Manager, Divisional Administration

RGK:NHP

CC: Mr. L. A. Brincat
Mr. P. G. Gemeinhardt
Mr. H. Klein

April 2, 1991

Mr. Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102, Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

Sun Chemical Corporation is a manufacturer of organic pigment with plants in Newark, New Jersey, Cincinnati, Ohio; Staten Island, New York; and Muskegon, Michigan. Sun Chemical's corporate offices are located in Ft. Lee, New Jersey, and Sun Chemical is the largest organic pigment manufacturer in the United States.

The pigment industry is an international business and we compete with many other multi-national firms. A significant portion of the pigment consuming markets are supplied by imported pigments and this percentage has been growing each year since 1982.

We oppose the passage of duty suspension on bills H.R. 1036 (Blue 60) and H.R. 1037 (Blue 16). Sun Chemical is a domestic producer of Blue 60, which started production in 1991. We have made commercial production in our plant. Blue 16 is an alternative to our Blue products. Sun Chemical produces organic Blue pigment in our Muskegon, Michigan and Cincinnati, Ohio plants. Granting duty free status to this pigment would give an unfair competitive advantage to imported material when competing for applications for organic blue pigment. In summary, we urge you to reject this bill.

I would appreciate any assistance you could give regarding rejecting legislation to suspend duty rates on bills H.R. 1036 (Blue 60) and H.R. 1037 (Blue 16).

Sincerely,

Stephen J. Schmidt
Manager of Purchases
SUN CHEMICAL CORPORATION
4605 Este Avenue
Cincinnati, OH 45232-1984

SJS/fish:Dutysusp

Enclosures

cc: Eric Biel/Bill Gradison/Guy Vanderjagt/Mike Kelly (DOC)/Susan Kernus (SOCMA)/Paul Klein/Larry Robinson (DCMA)/George Weise

H.R. 1037

To suspend temporarily the duty on Pigment Blue 16

See also Henry George Foundation of America statement at H.R. 176.

See also Mobay Corp. statement at H.R. 1036.

See also Sun Chemical Corp. statement at H.R. 1036.

BASF Corporation

BASF

Robert G. Thoma
Vice President
Government Relations

April 29, 1991

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Ofc. Bldg.
Washington, DC 20515

RE: H.R. 1037

Dear Mr. Leonard:

This letter is in response to Chairman Gibbons' notice of March 8, 1991 requesting comments for the record on H.R. 1037, which provides for the temporary duty suspension on Pigment Blue 16.

Pigment Blue 16 is a unique, metal-free organic pigment developed by BASF to meet the needs of pigment users who have environmental requirements that cannot be fulfilled by traditional copper phthalocyanine (blue) pigments.

Because of the complex manufacturing process involved in producing a metal-free formulation, Pigment 16 is a high-cost product and sells for approximately three times that of copper phthalocyanine pigments. Therefore, overriding environmental considerations dictate the choice of pigments, and not the mere substitution of one product for another.

We respectfully request the Committee's favorable action on H.R. 1037.

Sincerely,

Robert G. Thoma

Suite 755, 2100 Pennsylvania Avenue, N.W., Washington, D.C. 20037 (202) 296-4894 Telefax (202) 296-5133

H.R. 1053

To extend until January 1, 1993, the existing suspension of duty on 1-(3-Sulfopropyl) pyridinium hydroxide

See Henry George Foundation of America statement at H.R. 176.

H.R. 1071

For the relief of certain importers, wholesalers, and users of industrial fasteners

See Henry George Foundation of America statement at H.R. 176.

H.R. 1094

To extend until January 1, 1996, the suspension of duty on certain clock radios

See also Henry George Foundation of America statement at H.R. 176.

ELECTRONIC INDUSTRIES ASSOCIATION
CONSUMER ELECTRONICS GROUP
2001 Pennsylvania Avenue, NW • Washington, DC 20006-1813, USA
Phone: (202) 457-4919 • FAX: (202) 457-4985

April 29, 1991

Mr. Rob Leonard
Chief Counsel
Subcommittee on Trade
HOUSE COMMITTEE ON WAYS AND MEANS
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

As requested by Chairman Gibbons, EIA wishes to submit written comments on two duty suspension bills currently pending before the Subcommittee.

H.R. 1094 would extend a suspension of the 6% duty on clock-radios until December 31, 1995, retroactively from the date of its expiration on December 31, 1990.

H.R. 2067 would suspend the duty of 3.7% on certain radio-tape player combinations for three years.

EIA supports suspending these duties because, although they result in slightly higher prices for American consumers, they do not serve to protect domestic business. Under U.S. trade policy, import duties are levied to prevent lower-priced foreign goods from undercutting domestic industries. However, there are no domestic manufacturers of clock-radios and radio-tape players. All companies producing these items manufacture in the Third World.

Therefore, duties on these goods do nothing to protect American companies or workers. Quite the opposite, they actually put some American companies at a competitive disadvantage, forcing them either to raise prices or move production operations to duty-free nations.

For example, an EIA member company based in Chicago, Lloyd's Electronics, faces this problem. Since Lloyd's must now pay a 6% duty on clock-radios imported from China, it is looking to produce in another country not covered by the duty. Lloyd's found that the only such place where these items could be produced as cheaply and as well was Malaysia. This small American company may therefore be forced to curtail or eliminate their clock-radio business, or undertake to relocate all of their major manufacturing operations.

H.R. 1094 and H.R. 2067 would also benefit consumers. The history of the consumer electronics industry shows that when manufacturers can make or import items more cheaply, they lower their prices to consumers. As of December 31, 1990, the index for all products listed in the Consumer Price Index (CPI) had increased to 133.8 versus 100 (for the CPI base period of 1982-84), yet the index for consumer audio products within the same period has dropped to 93.3.

Yet, if total sales of clock-radios match last year's $84.5 million total, a 6 percent duty will raise import costs by $5.1 million. Based on normal markup ratios, consumers will end up paying a total of $6.6 million more for these items.

Likewise, unless it is suspended, the 3.7 percent duty on radio-tape players will raise import costs (based on 1990 figures) by $22.5 million and cause consumers to pay a total of $29.3 million more for radio-tape players.

In view of the clear benefit to consumers and the absence of threat to domestic manufacturers posed by imports of clock-radios and radio-tape players, EIA urges the Subcommittee to report favorably both H.R. 1094 and H.R. 2067.

Sincerely,

DAVID E. POISSON
Executive Director
Government Affairs and
Deputy Legal Counsel

LLOYD'S ELECTRONICS

A DIVISION OF DYNASCAN CORPORATION

April 24, 1991

Mr. Robert J. Leonard
Chief Counsel
Committe on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

Our firm is a small American-owned electronics company which has been providing U.S. consumers with popularly-priced audio products for more than three decades. These consumers may soon find their choices in clock radios limited to only those provided from foreign-owned firms. This letter is to call to your attention the importance of H.R. 1094, which could help to preserve the range of consumer choices, and to urge you to bring your full support to the rapid passage of this bill. As you know, H.R. 1094 extends the temporary suspension of duties on clock radios made in certain countries through December 31, 1995. The suspension would be retroactive to December 31, 1990.

Since the end of last December, we have been paying a six percent duty on our imported clock radios. As you can imagine, this duty has had a deleterious effect on our clock radio business, and we have explored a number of alternatives.

We researched which countries would continue to enjoy zero-duty status for clock radios. These countries are India, Malaysia, Indonesia, The Philippines, and Thailand. We looked for acceptable sources in all of these countries. We even explored the possibility of setting up additional factories in duty-exempt countries. After a study of some detail, our conclusion was that Malaysia was the only one of these countries capable of continuous supply of clock radios within acceptable quality and cost ranges.

We focused our attention on Malaysia, but have yet to find an acceptable subcontractor for our products. From our point of view, there are two major problems with sourcing our clock radios from Malaysia: First, it is a predominantly Moslem country, with newly-ignited anti-American sentiment as a reflection of our country's involvement in the recent war in the middle east. Second, the electronics industry in Malaysia is dominated by huge companies from Japan, Holland and France. These companies occupy much of the technical and manpower resources in Malaysia, resulting in an environment in which it is very difficult for small companies to function.

We understand that duties are imposed for two reasons: 1) To protect domestic industry from unfair overseas competition, or, 2) to direct balance of trade from country to country for international political or economic reasons. Since there have not been for many years any U.S. domestic manufacturing source for clock radios (thus no domestic industry to protect), we can

700 N. Commerce Street • P.O. Box 2066 • Aurora, Illinois 60507-2066 • Phone (708) 820-6699 • FAX (708) 820-8103

only conclude that political and economic reasons form the sole basis for the duties in question.

There is a bit of irony in all this. While neither we, nor anyone else in the United States, currently manufactures clock radios, we are, nevertheless, an American company. As part of Chicago-based Dynascan, we are a publically held firm with stock traded over the counter. We pay taxes and employ hundreds of Americans. Dynascan shareholders are affected directly by our business results. Our products stimulate the competitive wholesale and retail environments, offer American consumers a range of product alternatives, and deliver profit to thousands of U.S. retail operations. Yet, as it turns out, our company is one who suffers as a result of this duty exemption not being extended.

You see, we must compete in the American marketplace *primarily* with the very Japanese, Dutch and French companies who dominate the Malaysian electronics industry. Indeed, the clock radios those companies sell in the U.S. are made in Malaysia, so they continue to be duty free. Since these companies have had no cost impact as a result of the exemption not being extended, they have not had to make any pricing changes to their customers or to the American consuming public. We, of course, must compete with these firms, so we could not raise our prices. The result has been that we are forced to absorb this added cost, which we can not afford to do.

The current competitive environment and the stagnant economy have forced our margins lower and lower, to the point where we are strongly evaluating whether to continue our wide range of clock radios, or to de-emphasize this category. This would be a shame, since Lloyd's has been a significant supplier of clock radios to Americans since the mid-fifties. Yet, what are we to do? *Isn't it ironic that the suspension of the duty exemption would, in fact, end up protecting large, foreign-owned suppliers and hurting smaller, American firms?* (Soundesign and Emerson, both American companies, are in situations similar to ours on this issue.)

As you can see, although this is a bill dealing with the importation of foreign-made goods, it has profound effect on American commerce. In support of a free and fair market and to preserve a healthy competitive market for American consumers, I now ask you to bring the full weight of your office to bear on the passage of H.R. 1094. Thank you so much for your leadership and support.

Sincerely yours,

Irwin Zucker
Marketing Director
Lloyd's Electronics

Wray C. Hiser
Senior Counsel—Government Relations

Telephone: (202) 872-0673
Facsimile: (202) 872-0674

RCA

April 22, 1991

Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U. S. House of Representatives
Room 1102, Longworth Building
Washington, D. C. 20515

Dear Mr. Leonard:

This statement is submitted in support of H. R. 1094 by the Audio and Communications Division of Thomson Consumer Electronics, Inc., (Thomson). The Audio and Communications Division of Thomson, which is headquartered in Syracuse, New York, is responsible for the engineering, marketing and distribution of all consumer electronic audio products, including clock radios, sold under the "GE" or "RCA" brand names.

H.R. 1094 provides for the continuation through December 31, 1995, of the suspension of duties on certain clock radios. Duty was first suspended on these clock radios by Public Law 97-446 for the period January 27, 1983 through September 30, 1984. The original suspension was extended twice, and it expired December 31, 1990. This bill would continue that duty suspension retroactively from January 1, 1991.

Thomson supports H. R. 1094 because the duty suspension for clock radios is narrow in product scope, it does not harm U.S. industry, it benefits U.S. consumers, and it is consistent with United States trade policy.

The temporary duty suspension applies only to those "entertainment broadcast band receivers. . . incorporating timekeeping or time display devices," classified under heading 9902.85.27 of the U.S. Harmonized Tariff Schedule, valued under $40, not designed for motor vehicle applications, and not in combination with any other article. The $40 limitation and the prohibition against combination of clock radios with other articles (e.g. tape players or telephones) excludes the more expensive, complex products which may be subject to other foreign trade considerations.

Thomson Consumer Electronics, Inc.

Suite 601, 1200 19th Street, N.W., Washington, D.C. 20036

United States producers are not harmed or affected by the proposed suspension of duties on clock radios because, to the best of our knowledge, there are no U.S. manufacturers of the covered clock radios. According to the Electronic Industries Association and the Department of Commerce, U.S. production of all entertainment band radios as a percentage of world-wide production decreased from 39% in 1965, to 8% in 1970, and to 0% since 1980. The latest Bureau of Census statistics also indicate that no U.S. firm manufactures clock radios in the United States.

While an extension of the temporary duty suspension would not harm any U.S. producer, the extension would enable consumers to continue to benefit from low prices for a functionally useful item. Since the duty suspension was last extended in 1986, industry data show that both the factory value of clock radios and the retail prices of clock radios have remained at very low levels. Since 1986 the average import value of each clock radio has been around $10 while the average retail price has remained about $24. The Electronic Industries Association estimates that 10 million clock radios are sold each year in the U.S. This means that the suspension of the 6% duty on clock radios could help U.S. consumers save approximately $10 million per year on their clock radio purchases. If the 6% duty is not suspended, Thomson would either be required to reduce its resale prices to offset the duty and thereby lose nearly $2 million in annual income or be compelled to increase its clock radio resale prices. Extension of the duty suspension would help keep clock radios at their current low prices, thereby benefiting the American public.

Finally, we are not aware of any U.S. trade policy implications or administrative problems for the United States Customs Service which would offset the benefits of extending the duty suspension for clock radios. The two principal exporting countries, Malaysia and China, have no significant trade barriers. Malaysian exports are currently eligible for duty free treatment under GSP. Hong Kong and Singapore, the third and fourth ranking exporting countries, are well known free markets with no significant trade barriers. Finally, the combined volume of imports from the fifth and sixth ranking countries, Taiwan and Japan, represents only 3% of total U.S. imports of clock radios and has been steadily declining.

In summary, temporary duty suspension for clock radios is narrow in scope, it would not harm American manufacturers, it benefits U.S. consumers, and it does not contravene U.S. trade policy. We, therefore, urge the Committee's favorable consideration of H.R. 1094.

Sincerely,

Wray C. Hiser

Wray C. Hiser

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*ADMITTED IN WISCONSIN
**ADMITTED IN NORTH CAROLINA

FILE REFERENCE NO.

April 26, 1991

Original and Five Copies Enclosed

Sent Via Federal Express, Airbill # 7314610730

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Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

RE: H.R. 1094: Duty Suspension
On Certain Clock Radios

Dear Mr. Leonard:

On behalf of Tim Simon, Inc. of San Francisco, California, we wish to submit comments in support of the enactment of H.R. 1094. This bill would suspend the duty on clock radios valued over $40.00 each and not containing a movement.

Specifically, the bill extends HTS 9902.85.27 of the Harmonized Tariff Schedule of the United States until December 31, 1995 and would also provide for retroactive treatment back to January 1, 1991.

For a number of years, Tim Simon, Inc. has been importing clock radios which have qualified for duty free treatment under HTS 9902.85.27, and has been relying on this duty free treatment for pricing of its merchandise.

Therefore, it came as a surprise last year when this HTS provision was not reenacted by Congress. Reenactment of HTS 9902.85.27 would assist Tim Simon in reducing its costs and would result in a savings ultimately to U.S. consumers.

In summary, Tim Simon strongly supports reenactment of H.R. 1094.

Very truly yours,

Law Offices of
GEORGE R. TUTTLE
A Professional Corporation

By: _____
Stephen S. Spraitzar

SSS:27:zdc
Enclosure
\0498\RL4-26

cc: Robert Glenn
Tim Simon, Inc.

H.R. 1095

To extend through December 31, 1995, the existing temporary suspension of the duty on diphenyldichlorosilane and phenyltrichlorosilane

See also Henry George Foundation of America statement at H.R. 176.

GENERAL ELECTRIC COMPANY
GE SILICONES
WATERFORD, NEW YORK 12188

JOHN L. YOUNG
SENIOR PATENT COUNSEL

This statement is submitted in support of H. R. 1095 by GE Silicones, a division of General Electric Company. GE Silicones is headquartered in Waterford, New York, which is the location of its former phenylchlorosilanes manufacturing facilities and is responsible for the manufacturing, engineering, marketing and sales of all of General Electric Company's silicone products.

Diphenyldichlorosilane and phenyltrichlorosilane are important specialty raw materials used by the silicones industry to make silicone resins for high performance coatings with superior heat resistance and to make high clarity silicone rubber compounds for clear tubing and molded parts. Diphenyldichlorosilane is no longer being produced by GE Silicones. There is now no U. S. producer of diphenyldichlorosilane. Phenyltrichlorosilane is no longer being produced by GE Silicones. One manufacturer, Dow Corning Corporation, produces phenyltrichlorosilane in the U. S.

H. R. 1095, by continuing the temporary suspension of duty on the import of these phenylchlorosilanes, will enable U.S. consumers of these phenylchlorosilanes to obtain these materials on a favorable economic basis.

Silicones are produced from chlorosilanes which are simple monomers with organic groups and chlorine atoms attached to a single silicon atom. The vast majority of silicones are made from methylchlorosilanes. However, where special properties, such as increased high and low temperature performance or improved clarity, is required, phenylchlorosilanes are included as a silicone raw material.

Phenylchlorosilanes are costly to produce, and biphenyl, monochlorobiphenyl and dichlorobiphenyl (PCBs) are incidental by-products of their manufacture. General Electric Company has been, prior to 1990, the only U.S. producer of diphenyldichlorosilane and has a patented process for the removal of PCBs from phenylchlorosilanes which it has made available for license to all other phenylchlorosilanes producers. This process effectively removes from the phenylchlorosilanes the incidentally generated PCBs for their safe disposal by incineration. The current producer of imported phenylchlorosilanes employs this GE technology to remove from the products the incidental by-product PCBs in its production process. Certification of each shipment of imported phenylchlorosilanes assures no deviation from EPA requirements.

By increasing the economically attractive availability of phenylchlorosilanes through continuation of temporary reduction of duty as provided by H. R. 1095, it is felt that U.S. silicones producers can expand the market for specialty silicones containing phenylchlorosilanes. The duty-free status for phenylchlorosilanes will allow more efficient utilization of production facilities world-wide and minimize the production of unwanted by-products in these facilities.

H.R. 1102

To make a technical correction to the Omnibus Trade and Competitiveness Act of 1988 to provide for the reliquidation of certain petroleum products

See also Henry George Foundation of America statement at H.R. 176.

GOLDEN GATE PETROLEUM INTERNATIONAL, LTD., URGES CONGRESS TO APPROVE H.R. 1102 TO MAKE A TECHNICAL CORRECTION TO THE OMNIBUS TRADE AND COMPETITIVENESS ACT OF 1988

Golden Gate Petroleum International, Ltd. ("Golden Gate International") respectfully submits these comments in support of H.R. 1102. H.R. 1102 requires the Customs Service to reliquidate a shipment of low octane gasoline that was imported into Oakland, California and Portland, Oregon in October 1985 by Golden Gate International under the current tariff classification for motor fuel blending stocks. This measure is necessary to alleviate the inequities and undue burden that has resulted from the ambiguous treatment of motor fuel blending stocks by Customs prior to the establishment of a separate tariff classification for motor fuel blending stocks in determining the amount of duties that would be assessed upon their entry in the United States.

These comments provide a brief history of the tariff treatment of low octane gasoline and the petroleum industry's confusion about this matter. In addition, Golden Gate International's 1985 importation of low octane gasoline and the Customs Service's determinations on this shipment are discussed.

Background

A tariff classification for motor fuel blending stocks such as low octane gasoline did not exist until 1988 when Congress created it in the Omnibus Trade and Competitiveness Act. Prior to this classification, importers were confused about how low octane gasoline would be classified and, consequently, how to determine the duties for this product. During the 1980s, low octane gasoline which was marketable in other countries as motor fuel was imported into the United States, blended with products such as lead, toluene, and/or high octane gasoline to increase the octane level, and then sold for use in automobiles.

The announced historic practice of the Customs Service was to classify low octane gasoline as a motor fuel and, thereby, assess the same rate of duty for the low octane gasoline as for a gasoline which needed no further blending to be commercially usable by gasoline dealers in the United States. If, however, the Customs Service deviated from its historic practice, under the tariff schedule it could classify the low octane gasoline as a "mixture of hydrocarbons derived from petroleum," resulting in a dramatic increase in the duties owed by the importer when compared to the duties that would be assessed under the motor fuel classification. Depending on the Customs Service's assessment of low octane gasoline, an importer could face duties of $200,000 or over $1,000,000 for the same gasoline. The higher rate of duties made the low octane gasoline commercially unviable because the higher cost to import the gasoline resulted in a price that could not compete with finished motor gasoline.

The disparity in duties resulting from the Customs Service's treatment of low octane gasoline and the commercial impracticalities associated with the higher tariffs led to the introduction of legislation in 1985 to create a tariff classification for motor fuel blending stocks. For reasons that are unrelated to this matter, the legislation creating the separate tariff classification did not pass until 1988. Today, all motor fuel blending stocks are tariffed at the same rate of duty as finished motor gasoline.

Treatment of Low Octane Gasoline Before 1988

In 1966, the Customs Service provided guidelines for the properties needed in petroleum products to be classified as motor fuel in T.D. 66-23(13). This ruling was used by the Customs Service and the industry to identify what petroleum products should be classified as a motor fuel for tariff purposes. At the time of its issuance and in subsequent rulings, Customs acknowledged that T.D. 66-23(13) was designed only to serve as a guide and that a product that did not meet all of the criteria of T.D. 66-23(13)

could still be classified as a motor fuel. *See, e.g.,* Private Ruling Decision 73-19 (June 11, 1973).

In August 1983, the Customs Service attempted to update its standards by issuing a ruling that would abandon T.D. 66-23(13) and adopt the standards for commercial gasoline established by the American Society of Testing Materials. 17 Cust. B. & Dec. 386 (Aug. 17, 1983). Under this new standard, low octane gasoline would not qualify as a motor fuel.

The August 1983 ruling and, specifically, the new high duty rates it established for low octane gasoline, made the importation of such commodities completely uneconomical. It also resulted in confusion since the ruling was promulgated without notice and comment and with disregard for the established practice originating from T.D. 66-23(13). Importers vehemently protested the Customs Service interpretation, asserting, *inter alia,* that the ruling was contrary to the uniform and established practice of classifying low octane gasoline as a motor fuel.

After reviewing classification entries for prior years, the Customs Service acknowledged the existence of a uniform and established practice to classify these blendstocks as motor fuel and suspended its 1983 ruling pending notice and an opportunity for comment, as required by statute when a change in practice is proposed. 40 Fed. Reg. 7929 (Feb. 27, 1985). Thus, for the importation of low octane gasoline for which H.R. 1102 applies, T.D. 66-23(13) remained in effect.

In 1985, however, even with T.D. 66-23(13), there was much confusion as to the standard being used by the Customs Service to determine what qualified as a motor fuel. Members of the petroleum industry believed that Customs treated low octane gasoline as motor fuel for tariff purposes even if the gasoline did not meet all of the standards of T.D. 66-23(13). This belief was expressed in industry comments submitted to the Customs Service's notice of proposed change of practice regarding classification of low octane gasoline. One industry member that submitted comments was Petroleos Mexicanos ("Pemex"), the national oil company of Mexico, and the largest exporter of petroleum products to the United States at that time. Pemex reported that its low octane gasoline did *not* meet the specifications of T.D. 66-23(13) and that Customs regularly classified these imports as motor fuel for tariff purposes. Comments of Pemex on the Customs Service's Notice of Proposed Change of Practice at 2, 7 (Apr. 29, 1985). Another company described import entries of low-octane gasoline for use as blending stocks as routinely treated as motor fuel without regard to T.D. 63-23(13). Comments of Texas City Refining, Inc. on the Customs Service's Notice of Proposed Change of Practice at 2 (Apr. 24, 1985).

Importation By Golden Gate International

Despite the belief of the petroleum industry that low octane gasoline should be treated as motor fuel and prior Customs rulings stating that T.D. 66-23(13) was designed to act as a guideline and that a product did not have to meet all of its standards to be classified as a motor fuel, Customs refused to classify low octane gasoline imported by Golden Gate International into the Port of Oakland as motor fuel. In 1985, Golden Gate International purchased a shipment of low octane gasoline and had part of it delivered to a terminal in Portland, Oregon. The remaining gasoline and some toluene that was part of the shipment were delivered to a terminal in Oakland, California. At the time of the importation, Golden Gate International entered both importations as motor fuel and paid duties based on the motor fuel classification.

Golden Gate International, at each terminal, blended the low octane gasoline with octane enhancers and then sold it as motor gasoline for use in automobiles. While the imported gasoline did not meet the octane rating in T.D. 66-23(13), the gasoline met the other standards of T.D. 66-23(13). With respect to the gasoline that was delivered to Oakland, when the toluene that was delivered by the same vessel was added to the gasoline, the gasoline's octane rating was raised sufficiently to meet the standard in T.D. 66-23(13).

On May 30, 1986, the Customs Service found that the gasoline that was delivered to Oakland did not qualify as motor fuel and sought an additional $1.3 million in duties plus interest from Golden Gate International. On June 20, 1986, however, Customs found that the gasoline delivered to Portland was motor fuel and did not seek any additional duties from Golden Gate International. These different classifications by Customs for the same shipment are evidence of the confusion that existed at Customs with respect to how to classify low octane gasoline.

By the time Customs decided to increase the duties for the low octane gasoline delivered to Oakland, Golden Gate International had already sold its product at a price that was competitive with the market and was based on the lower tariff. Golden Gate International made little profit, if any, on this shipment. The additional duties sought by Customs would not be covered by the sale of this gasoline and, thus, would place a serious financial strain on the company.

Golden Gate International classified its product in accordance with the uniform and established practice in place at the time of importation. Penalizing the company for relying on Customs acknowledgement regarding the existence of that practice is unwarranted and necessitates corrective Congressional action at this time.

Conclusion

H.R. 1102 covers the importation of the low octane gasoline by Golden Gate International for the entries made at Oakland and at Portland. Passage of this bill will correct the inequities that have resulted from the confusion that existed about the tariff classification for low octane gasoline. In 1988, when Congress created the tariff classification for motor fuel blending stocks, it was the intent of the legislation to cure a problem that resulted in the unfair assessment of duties, and to reflect the commercial necessity requiring motor fuel blending stocks be treated the same as motor fuel for tariff purposes. H.R. 1102 would effectuate this intent.

We respectfully request that the Committee support this provision and take the necessary steps to ensure its enactment into the law.

Respectfully Submitted,

MICHAEL D. SHERMAN
LAURENCE J. LASOFF
A. ABIGAIL PAYNE

Counsel for Golden Gate Petroleum International, Ltd.

April 29, 1991

H.R. 1139

To suspend temporarily the duty on certain composite diagnostic or laboratory reagents

See also Henry George Foundation of America statement at H.R. 176.

WRITTEN COMMENTS
OF
BOEHRINGER MANNHEIM CORPORATION
IN SUPPORT OF
H.R. 1139
BEFORE THE
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
APRIL 5, 1991

In response to the request of Chairman Sam Gibbons of the Subcommittee on Trade, dated March 8, 1991, for written comments on certain tariff and trade bills, Boehringer Mannheim Corporation (BMC) hereby submits its comments in support of H.R. 1139, a bill to suspend temporarily the duty on certain composite diagnostic or laboratory reagents. BMC is a U.S. corporation, headquartered in Indianapolis, which employs about 3300 persons. The diagnostic reagent strips which are the subject of this bill are imported from Germany.

BMC was originally founded by Boehringer Mannheim GmbH, a 130-year old world-wide leader in health care products, from diagnostics to clinical chemistry analyzers, biochemicals, and orthopedic implants. It has numerous patents on diagnostic testing methodologies, including a product called a reagent carrier, reagent strip or reagent tab, which is the subject of this bill. The reagent strip is used by Boehringer Mannheim's Reflotron® Analyzer which makes various measurements from the blood of a physician's patient. As the enclosed information (Exhibit A hereto) indicates, a drop of the patient's blood is placed on the reagent strip which separates parts of the blood as it is absorbed. The strip is inserted into the Reflotron® machine which then measures the glucose, hemoglobin, cholesterol, triglycerides, bun, uric acid, amyalse, etc. in the blood. A different reagent tab is used for each specific characteristic that is being measured. These reagent tabs are patented and are not produced in the United States. There are no domestically produced reagent strips that can be used in the Reflotron® Analyzer. Suspension of the 5 percent duty would enable BMC eventually to lower the cost that consumers/patients must ultimately pay for these various blood tests. This, in turn, would contribute to a lowering of the cost of diagnosis and treatment for affected persons -- a substantial benefit that would be a direct result of the duty suspension.

For these reasons, we respectfully request that the Miscellaneous Tariff bill include H.R. 1139 or a more specific provision to suspend the duty on the following products:

Name of Reagent Strip	Number of Tabs Per bottle
Reflotron® Glucose	30 Tabs
Reflotron® Hemoglobin	30 Tabs
Reflotron® Cholestrol	30 Tabs
Reflotron® Triglycerides	30 Tabs
Reflotron® GGT	30 Tabs
Reflotron® BUN	30 Tabs
Reflotron® Uric Acid	30 Tabs
Reflotron® Amylase	30 Tabs
Reflotron® ALT	30 Tabs
Reflotron® AST	30 Tabs
Reflotron® BUN	15 Tabs
Reflotron® Amylase	15 Tabs
Reflotron® GGT	15 Tabs
Reflotron® Uric Acid	15 Tabs
Reflotron® Cholestrol Screen Kit	5 Bottles of 30 Tabs Each

All of these products would be classified under Harmonized Tariff Schedule item number 3822.00.50, "Composite diagnostic or laboratory reagents, other".

It is our understanding that the purpose of this bill is to provide for a three-year duty suspension on the subject products, but through an oversight the bill contains only a two-year suspension. Therefore, BMC respectually requests that the bill be amended so that the sixth column in line 5 of page 1 of the bill read: "On or before 12/31/94." It is also our understanding that Representative Andrew Jacobs, the sponsor of H.R. 1139, supports this request.

Respectfully submitted,

BARNES & THORNBURG

By: Randolph J. Stayin

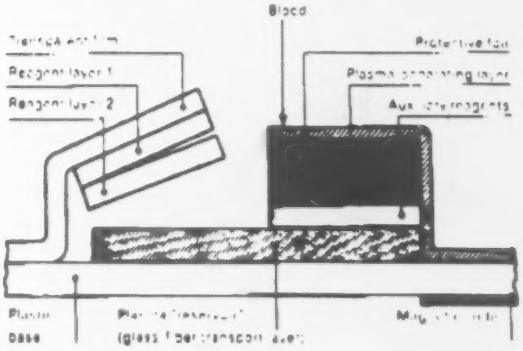
Randolph J. Stayin, Counsel to
Boehringer Mannheim Corporation

425C-85
2017/3
4/5/91

By applying a drop of blood to such a layer one can see how the plasma is carried away by capillary forces, while the erythrocytes remain at the point of application. The geometry can be so chosen that the plasma migrates only in one direction.

The following diagram shows how this principle has been integrated into the Reflotron® reagent carrier.

Structure of the Reflotron® reagent carrier

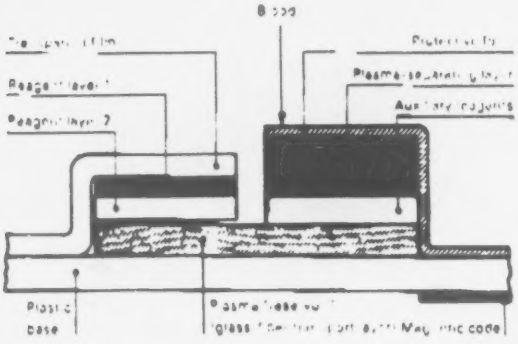


The blood sample is applied to the reagent carrier, the erythrocytes are separated off by the glass-fiber separating layer, and the plasma diffuses further into the plasma "reservoir", which is also made of glass fibers. In this way the plasma comes directly under reagent layers 1 and 2, which contain the chemicals for the analysis.

This simple way of separating the blood replaces centrifuging without distorting the accuracy of the routine clinical chemistry method.

layers pressed into the plasma reservoir. The plasma diffuses into the reagent layers and a color reaction takes place, which is measured from above by the photometer through the transparent film.

Structure of the reagent carrier when the reaction has started



The concentration range in which the indicator or color reaction can be measured most sensitively does not always coincide with the concentration range relevant for clinical purposes in the case of undiluted samples. Thus, the color intensity may be too high in the clinically relevant concentration range, giving an imprecise measurement. This is illustrated by the following example, where the reflectance (i.e. diffuse reflection) is plotted against the concentration of a substrate.

Reflotron®-Hemoglobin

The determination of hemoglobin is based on the formation of cyanmethemoglobin in the following reaction

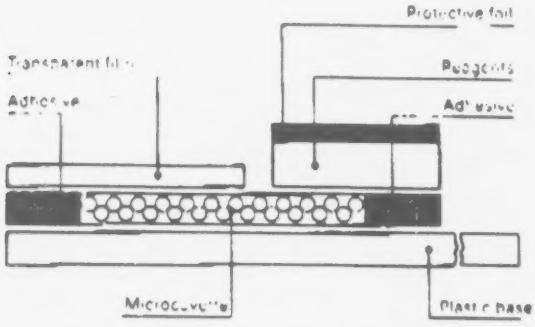
Reaction principle of the hemoglobin test

Hemoglobin + $K_3Fe(CN)_6$ + CN^-

——— ▶ cyanmethemoglobin

The erythrocytes are of course not separated from the plasma here, but are instead lysed instantaneously by the saponin added, and the hemoglobin is complexed and oxidized to give cyanmethemoglobin. The reagent carrier therefore has a somewhat different structure, as can be seen below

Structure of the hemoglobin reagent carrier



The zone of application on the right is impregnated with chemicals and the reaction product formed there diffuses into a "microcuvette", formed from a foil with diffuse light scattering, a tissue, and the transparent top layer. As with the other tests, the photometer measures the reflectance from above, the wavelength used being 565 nm

For example, the determination of γ-glutamyl-transferase is based on oxidative coupling involving the use of potassium ferricyanide as the oxidizing agent and methylanthranilic acid as the coupling partner, these two chemicals are incorporated herein separate layers (we could have also incorporated a third incompatible chemical in a third layer).

The reagents thus remain separate until the diffusing plasma dissolves them, bringing them into direct contact with each other for the reaction.

The use of microprocessors for controlling the analysis and calculating the results

Microprocessor control makes use of the magnetic tape that every reagent carrier carries on its reverse side, i.e. on the side opposite to the reagent pad, as shown below.

***Reflotron*® reagent carrier with the magnetic tape**

This magnetic tape has a 500-bit capacity and is therefore capable of storing a great deal of information, which is then read by the magnetic sensor of the apparatus during the analysis, the data encoded here being as follows:

Data encoded in the magnetic tape

- type of test
- duration of the incubation and reaction phases
- measurement wavelength
- number of measurements to be taken and the intervals between them
- method of calculating the concentration from the reflectance
- factors for converting SI units into conventional units and vice versa

Using these data, the microprocessor system automatically controls the operation of the apparatus during the analysis.

The fixing holes at the two sides of the reagent carrier serve to keep it firmly in position within the apparatus. Two pins are inserted into them to hold the test pad of the reagent carrier under the photometer and the magnetic tape over the sensor that reads its code.

H.R. 1211

To amend the Harmonized Tariff Schedule of the United States to change the rate of duty for certain bicycles

See also Henry George Foundation of America statement at H.R. 176.

STATEMENT OF THE BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA, INC. ON H.R. 1211

The Bicycle Manufacturers Association of America, Inc. ("BMA"), a trade association representing the interests of U.S. bicycle manufacturers and their suppliers,[1/] is pleased to comment on H.R. 1211, a bill introduced by Rep. Louise Slaughter which would amend the Harmonized Tariff Schedule of the United States ("HTS") to reduce the rate of duty for certain bicycles. BMA is opposed to H.R. 1211 in its current form, but would have no objection to the legislation if the new tariff provision created thereby were amended to apply only to imported bicycles with a customs value of $200 or more.

Since 1938, the U.S. tariff schedules have classified bicycles according to the diameter of their wheels, and since 1948, have applied different duty rates to bicycles on that basis. Bicycles that could not be placed in any one of the wheel size categories because (for instance) they were equipped with wheels of different sizes, have from the first been relegated to an "other" basket category that has been treated as a separate tariff entity. In 1968, the United States reduced its tariffs on "lightweight" bicycles (defined as "having a weight of less than 36 lbs. [now, 16.3 kg] complete without accessories, and not designed for use with tires having a cross-sectional diameter exceeding 1.625 inches [4.13 cm]") with both wheels over 25 inches in diameter to 5.5 percent *ad valorem*, and reduced its duties on all other bicycles with identically-sized wheels to 11 percent; but the rate on "other" bicycles -- that is, those having different sized wheels, regardless of whether of lightweight construction -- were set at 15 percent *ad valorem*. These rates remain in force today, and BMA has strongly opposed all efforts to reduce them.

The firm that requested introduction of H.R. 1211 -- Terry Precision Bicycles -- designs and imports a lightweight bicycle with different sized wheels, the front wheel being under 25 inches (63.5 cm) in diameter. Terry claims that this smaller front wheel makes its bicycles more compatible with the physique of the average female rider. Because of the difference in wheel size, these bicycles are currently properly classified under HTS subheading 8712.00.40 and are dutiable at 15 percent *ad valorem*. The declared purpose of H.R. 1211 is to eliminate this "discrimination" (as Terry and Rep. Slaughter have termed it) by creating a new tariff subheading providing for "[b]icycles having a front wheel exceeding 55 cm in diameter but not exceeding 63.5 cm in diameter and a rear wheel exceeding 63.5 cm in diameter, having a weight of less than 16.3 kg complete without accessories, and not designed for use with tires having a cross-sectional diameter exceeding 4.13 cm," dutiable at the 5.5 percent rate applicable currently to lightweight bicycles with both wheels over 63.5 cm in diameter.

1/ BMA's three manufacturer members account for 75-80 percent of the bicycles manufactured in the United States. The association also has 16 members, both foreign and U.S.-based, that supply the U.S. industry with bicycle components. A list of BMA's members is attached.

BMA strongly opposes H.R. 1211 in its current form. First, the notion that the current regime of bicycle tariffs somehow discriminates against women is absurd on its face. Such an argument might be credible if the U.S. tariff schedules distinguished between men's and ladies' bicycles and applied higher tariff rates to the latter, but such is not the case and never has been. The tariff schedules simply define bicycles in terms of certain objective physical characteristics, including wheel size, and the simple fact is that Terry's bicycles are constructed in such a way that they are properly assessed the highest applicable duty rate. Terry's product claims notwithstanding, there is certainly no universal principle of bicycle design that decrees that bicycles with smaller front wheels are uniquely suited for women. This is simply the way that Terry has chosen to construct its bicycles, and other designs "for women" could very well take lower duty rates.

Second, in assigning the new tariff provision a 5.5 percent duty rate, H.R. 1211 proceeds from the assumption that Terry's bicycles would take that 5.5 percent duty under the HTS but for the fact that their front wheels are below 63.5 cm in diameter. This is, to be sure, the duty applicable to lightweight bicycles having both wheels exceeding 63.5 cm in diameter. But the proper duty rate for lightweight bicycles having both wheels 63.5 cm or less (HTS subheading 8712.00.15) is 11 percent. Hence, it could just as easily be argued that but for a Terry bicycle's larger rear wheels, it should properly be dutied at 11 percent. Seen in this way, the tariff disadvantage suffered by Terry is fairly modest (*i.e.,* 15 percent versus 11 percent).

BMA's principal ground for objecting to H.R. 1211, however, is its potential economic impact on the domestic industry. To be sure, imports under the "other" bicycle tariff category (HTS subheading 8712.00.40 and its predecessors) have historically been *de minimis*. Clearly, the reason for this is that the 15 percent duty provides a strong disincentive against importing bicycles with different sized wheels. Indeed, BMA believes that Terry is currently responsible for the majority of U.S. imports under HTS subheading 8712.00.40. The critical question, from BMA's standpoint, is whether this situation is likely to continue if H.R. 1211 becomes law. Frankly, BMA has no particular reason to believe that bicycles classifiable under the proposed new tariff subheading, such as Terry's, will deluge the market once freed from the shackles of a 15 percent duty. But on the other hand, BMA has no assurance that such a flood will not occur, and for that reason, must oppose the bill in its current form.

Bicycle designs are constantly evolving; design innovation is key to success in the market. If manufacturers could predict with certainty which design developments would capture the public's imagination and purchase dollars, their task would be considerably easier than it is. For the most part, however, manufacturers can do little more than experiment, and see what sells. The fact that bicycles with different sized wheels have thus far been relegated to a very small niche in the market (*e.g.,* "precision bicycles for women") is no assurance that such bicycles will not someday be the "hottest" product in the market. If that were to come to pass, the U.S. bicycle industry would rue the day that it conceded 9.5 percent worth of tariff protection.

The industry's experience during the 1960's attests to this need for caution. Some years after initial development of the children's "hi rise" bicycle -- by U.S. manufacturers, it might be added -- U.S. designers developed the "chopper" style of hi rise. The chief characteristic of this bicycle, which proved to be a very popular product (if only for a short time), was that it possessed a smaller front wheel. At the time, and until 1968,

that fact meant that imported "choppers" incurred a duty rate of 30 percent *ad valorem*, as opposed to the 15 percent rate applicable to imported bicycles having both wheels 25 inches in diameter or less. BMA believes that this tariff disparity was a key factor in ensuring that the "chopper" remained a "U.S. invention," and domestic manufacturers benefitted greatly from the additional tariff protection. BMA does not wish to see the "chopper" scenario repeat itself with bicycles like those covered by H.R. 1211, as the outcome would likely not be nearly as happy for the domestic industry.

While BMA cannot and will not put aside these concerns, it has no strong desire to obstruct Terry's efforts to eliminate what it believes is a tariff penalty on a product that -- at least to this point -- has occupied only a very small niche in the U.S. market. We have shared these concerns with representatives of Terry and have discussed possible ways of ameliorating them. Terry officials have recently offered to seek an amendment to H.R. 1211 that would confine eligibility for the new 5.5 percent duty to bicycles of the type described "valued over $200 each" (*i.e.*, with a customs value of $200 or more). Terry's bicycles meet this description. In BMA's view, this is not a perfect solution to its concerns, but confining eligibility for the lower duty to imported bicycles in the higher end of the market should ensure that there will be no "deluge" of imported bicycles in the event that bicycles with different sized wheels suddenly become the rage. BMA will withdraw its objection to H.R. 1211 if -- and only if -- the bill is amended in this fashion.

This position is, however, conditioned upon the U.S. Customs Service maintaining its current policy of construing the phrase "not designed for use with tires having a cross-sectional diameter exceeding 4.13 cm" as requiring the importer to demonstrate that its bicycle is designed in such a way that it cannot physically accommodate tires wider than 4.13 cm, notwithstanding how it is equipped at the time of importation. In April 1989, Customs issued a series of rulings that erroneously permitted all-terrain bicycles (also known as mountain or city bikes) to qualify for the 5.5 percent "lightweight" duty if they were equipped at the time of importation with tires under 4.13 cm in width, even though the bicycles were clearly designed to permit the use of much wider tires. Customs revoked these rulings in August 1990, announcing that the 5.5 percent duty would henceforth be available only if the importer could demonstrate that some physical design feature of the bicycle demonstrates that it is "not designed for use with tires having a cross-sectional diameter exceeding 4.13 cm." BMA's qualified consent to H.R. 1211 is based on the assumption that Customs will continue to interpret this phrase in this manner, so that the new tariff provision will not apply to all-terrain bicycles. If Customs' position changes while H.R. 1211 remains under consideration, we reserve the right to reassert our objections, as a reduction in the duty rate for all-terrain bicycles with different sized wheels would have a materially different impact on the U.S. bicycle industry.

We appreciate your attention to these comments.

Respectfully submitted,

THOMAS F. SHANNON
MICHAEL R. KERSHOW

Counsel to the Bicycle Manufacturers
Association of America, Inc.

Bicycle Manufacturers Association of America Inc.
3050 K Street, N.W., Suite 400, Washington, D.C. 20007 (202) 944-9297

BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA, INC.

Manufacturer Members

Huffy Corporation
P.O. Box 1204
Dayton, OH 45401
(513) 866-6251

Murray Ohio Manufacturing Company
219 Franklin Road
Brentwood, TN 37027
(615) 373-6500

Roadmaster Corporation
P.O. Box 344
Olney, IL 62450
(618) 393-2991

Supplier Members

American Cycle Systems, Inc.
245 Eighth Avenue
City of Industry, CA 91746
(818) 961-3942

Excel International Group
328 East Main Street
Barrington, IL 60010
(815) 397-5151

Falcon Cycle-Parts Co., Ltd.
P.O. Box 1-57
Feng Yuan, Taichung, Taiwan, R.O.C.
886-4-5623316

Hunt-Wilde Corporation
2835 Overpass Road
Tampa, FL 33619
(813) 623-2461

Inland Container Corporation
912 Nelbar Street
Middletown, OH 45042
(513) 425-0830

Sturmey-Archer Limited
Triumph Road
Nottingham NG7 2GL, England
(0602) 420800

Sun Metal Products, Inc.
2156 North Detroit Street
Warsaw, IN 46580
(219) 267-3281

Temple International Unlimited
1825 Fabyan Parkway
West Chicago, IL 60185
(708) 208-0010

Ohio Rod Products
P.O. Box 416
Versailles, IN 47042
(812) 689-6565

Persons-Majestic Manufacturing Co.
21-31 Hamilton Street
Monroeville, OH 44847
(419) 465-2504

Polygon Industries Corporation
No. 11-1 Kao-sun Li, Yangmei,
Taoyuan 32618, Taiwan, R.O.C.
886-3-4755171

Sate-Lite Manufacturing Company
6220-30 Gross Point Road
Niles, IL 60648
(708) 647-1515

Shimano American Corporation
One Shimano Drive, P.O. Box 19615
Irvine, CA 92713-9615
(714) 951-5003

Thun, Inc.
P.O. Box 3159
Clarksville, TN 37040
(615) 552-4011

Union Sils, Van De Loo & Company
P.O. Box 1540, D-5758 Frondenberg
Germany
0-23-73-75-31

Wald Manufacturing Company
P.O. Box 10
Maysville, KY 41056
(606) 564-4078

H.R. 1283

To amend the Caribbean Basin Economic Recovery Act to repeal the provisions exempting certain articles from duty-free treatment under the Act

See also Henry George Foundation of America statement at H.R. 176.

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION
ACTWU
AFL-CIO, CLC
15 UNION SQUARE • NEW YORK, N.Y. 10003-3377
TEL (212) 242-0700 FAX (212) 255-7230

JACK SHEINKMAN, President
ARTHUR LOEVY, Secretary-Treasurer

STATEMENT OF THE AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, AFL-CIO

IN OPPOSITION TO

H.R. 1283, TO AMEND THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT TO REPEAL THE PROVISIONS EXEMPTING CERTAIN ARTICLES FROM DUTY-FREE TREATMENT UNDER THE ACT

TO THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS

APRIL 29, 1991

INTRODUCTION

The Amalgamated Clothing and Textile Workers Union, AFL-CIO, ("ACTWU") represents 250,000 workers concentrated primarily in the men's and boys' clothing, textiles, leather, and footwear industries.

ACTWU is opposed to H.R. 1283, a bill to amend the Caribbean Basin Economic Recovery to repeal the provisions exempting certain articles from duty-free treatment under the Act. These articles include textiles, apparel, footwear and leather-related products, all of which are produced in the United States by ACTWU members. ACTWU believes there is no justification for Congress to reverse itself on this issue. The collective health of these industries is far worse than when Congress first granted the duty-free exemptions for these articles.

In the original CBI enacted in 1983, Congress and the Administration agreed that duties on these textile, apparel, footwear and leather-related articles would be maintained because of concern over the continued ability of these industries to remain competitive against low-wage, duty-free import competition from the Caribbean. If that was the case then, the situation is doubly so today. H.R. 1283 would open the floodgates on these products from the Caribbean, and result in massive transshipment from Asian countries. H.R. 1283 would also provide an export platform in the Caribbean for Asian producers hoping to increase their already enormous share of the U.S. market of these products.

ACTWU also objects to the procedure used to solicit comments on this highly controversial piece of legislation that has major implications for this nation's trade policy. The Subcommittee has used a vehicle normally reserved for miscellaneous tariff and trade bills, which are supposed to be non-controversial. To our knowledge, the Subcommittee has never included trade measures like H.R. 1283 among such bills; the inclusion of H.R. 1283 among the miscellaneous bills obscures not only the nature of the bill, but its importance to tens of thousands of workers in the affected industries.

VICE PRESIDENTS
JOHN ALLERUZZO, NOEL BEASLEY, CLAYOLA BROWN, KILMER CABAN, ED CLARK, ANTHONY COSTANZA, JEAN-MARC COUTURE, OLGA DIAZ, BRUCE DUNTON, JOHN FOX, ARTHUR HOOVER, JOHN HUDSON, JAMES A. JOHNSON, RICHARD MacFADYEN, ANDREW MATTEY, JOYCE D. MILLER, MURRAY MORENO, FRANK NICHOLAS JR, CARMEN PAPALE, BRUCE RAYNOR, THOMAS RUMORE, AMANDA STEVENS, JOAN SUAREZ, CECIL TOPPIN, JIM WALRAVEN

THERE IS A LONG-STANDING AND WELL-ESTABLISHED CBI POLICY IN EFFECT WITH RESPECT TO THESE INDUSTRIES

These product exemptions were revisited in the last Congress as part of legislation to make CBI permanent. It was abundantly clear at that time that there was very little interest in providing wider access to the Caribbean on these products at the expense of the jobs held by U.S. workers. This sentiment was expressed on numerous occasions, particularly in the Senate, where all efforts in the Finance Committee and on the floor to provide preferential access to these products were soundly rejected. The duty reductions voted by the House Ways and Means Committee for CBI textiles, apparel and footwear were so controversial that they were stripped from the bill before it reached the House floor for fear that the entire measure would go down in defeat.

Thus, there is a policy in effect with respect to the duty treatment of these products when imported from CBI countries. It was part of the original CBI program and it was reaffirmed in CBI II last year. Under the circumstances, it is disruptive and unnecessary to revisit this issue again.

CBI COUNTRIES' EXPORTS TO THE U.S. OF PRODUCTS MADE BY ACTWU MEMBERS ARE GROWING RAPIDLY

H.R. 1283 must be rejected. ACTWU believes there is no economic policy justification for granting duty incentives that will have the effect of increasing imports of articles made by industries that are already heavily impacted by imports and facing the prospect of even greater imports in the future. Employment losses have continued to affect the workers whom we represent and certainly a significant portion of these employment losses can be attributed directly to increased imports from the CBI countries over the last several years, particularly in apparel. Apparel imports from CBI beneficiary countries have been increasing at a rapid rate over the last several years, and in fact much higher than has ever been contemplated by the Multifiber Arrangement.

In its September 1990 annual report to Congress on the operation of the CBI program, the U.S. International Trade Commission found that in 1989, CBI textile and apparel imports accounted for 26.1 percent of all U.S. imports from the CBERA countries, the single largest category and "principal U.S. import from CBERA countries." The value of textile and apparel imports from these countries has more than doubled since 1985, reaching more than $1.7 billion in 1989.

According to the Report, the CBI's phenomenal growth in textiles and apparel is based on geographic proximity, lower production costs relative to some Asian producers, and utilization of the HTS statistical reporting number 9802.00.8010. Thus, our members fail to see why additional incentives are necessary to increase access for CBI countries to our market when they seem to have no problem under the current liberalized quota regime.

ACTWU MEMBERS IN THE U.S. AND PUERTO RICO WILL BE HURT BY H.R. 1283

The work force that makes up these industries has a far higher proportion of minorities, first generation immigrants and women (working as major income earners for their families), than in all other manufacturing industries. The jobs are primarily located in the inner city or isolated rural areas. Consequently, alternative job opportunities are not just few, but frequently non-existent. These industries are

classic entry-level. A BLS study of apparel workers done a few years ago clearly shows that the consequence of further job deterioration in this industry is a net loss to the economy. At least one-half of the displaced workers studied never found alternative employment. One quarter of the remaining unemployed workers had to settle for jobs that pay even lower than in the apparel industry. The remaining one-quarter found jobs that paid slightly more than previous pay. If the Congress seeks to provide enhanced economic development opportunities for the CBI countries, the sacrifices should be spread uniformly throughout the U.S. economy and not concentrated in a handful of sectors, as proposed by this bill.

A final point must be mentioned. The consequences of creating substantially enhanced production incentives in the Caribbean will completely undermine apparel production in Puerto Rico. Despite the existence of Section 936 tax preferences in Puerto Rico and its "twin plant" program, the balance of factors is shifting toward the Caribbean. ACTWU has thousands of apparel workers in Puerto Rico whose jobs will be jeopardized by this legislation. The economic environment in Puerto Rico is difficult enough already without this added burden being imposed.

* * * * * * *

For all the reasons stated above, ACTWU believes that H.R. 1283 should be rejected. This issue has been debated over and over again by the Congress and the Administration. The result is that the duty exemptions have been fully examined and fully debated, and the issue has been decided twice. Congress has consistently rejected eliminating the duty-free exemptions for these products. There is no reason to believe that the outcome will be any different with H.R. 1283. There is no need to reopen this issue yet again.

AMERICAN CHAMBER OF COMMERCE
OF THE DOMINICAN REPUBLIC

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April 29, 1991

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Room 1136, Longworth House Office Building
Washington, D.C. 20515

Ref: HR 1283/CBI III

Dear Chairman Gibbons:

The American Chamber of Commerce of the Dominican Republic, an organization comprising some 2,800 active members, including U.S. multinational corporations and local companies involved with trade between the United States and the Dominican Republic, fully endorses and supports H. R. 1283, a bill to amend the Caribbean Basin Economic Recovery Act (CBI III).

The American Chamber of Commerce of the Dominican Republic supports the bill because we believe that it would provide significant additional benefits to businesses and workers in the Dominican Republic. In addition, we also believe that providing duty-free treatment to those products that have heretofore been ineligible would in no way harm the U.S. economy or its labor force. On the contrary, it has been well-proven that the original CBI legislation, and its recent amendments, have increased demands for U.S. goods and services, and the labor required for their production, and have actually brought about increases in jobs in the United States.

We believe that that passage of this bill, as introduced, is absolutely essential to bring about the benefits that were intended by the original CBI, but have not yet been realized. We understand that the industrial sector in the United States is concerned with the principle of job protection and the increase in imports from other areas of the world. We believe, however, that H.R. 1283 would not have any adverse effects in these areas, and its passage would give the debt-burdened "fourth world" nations in the Caribbean a chance to benefit from the CBI's development concept. We have always supported the concept of "trade, not aid" and H.R. 1283 would facilitate two-way trade between the United States and the CBI countries.

In conclusion, the American Chamber of Commerce submits that passage of H.R. 1283 by the United States Congress would be an important step in forging closer ties with the CBI beneficiary nations, the "front yard" of the United States, and would most certainly have a synergistic effect on the economies of the United States and those countries throughout the Caribbean.

Mr. Chairman, please be assured of our gratitude for your continued interest and that of the other Committee members in the welfare of our respective nations.

Respectfully yours,

José Vitienes
President

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April 9, 1991

The Hon. Sam Gibbons
U.S. House of Representatives
Washington, D.C. 20015
U.S.A.

Dear Representative Gibbons:

The American Chamber of Commerce of Jamaica is in full support of the CBI III legislation presently introduced in the House of Representatives which proposes to end all remaining restrictions on CBI products, (textiles & apparel, leather goods, footwear, canned tuna, petroleum and petroleum products and watches).

We would like to take this opportunity to thank you very much for your on-going efforts on behalf of the region.

Respectfully,
AMERICAN CHAMBER OF COMMERCE OF JAMAICA

OFE S. DUDLEY PH.D.
EXECUTIVE DIRECTOR

OSD/dad

Honourary President
H.E. GLEN HOLDEN
Ambassador of the
United States of America
to Jamaica

Honourary Chairman
JOHN RULAND

DIRECTORS
WILLIAM MALONEY
President
BRIAN WOOD
Vice President
COMPTON ROONEY
Secretary/Treasurer
RANDOLPH BROWNING
WILLIAM EZELL III
MICHAEL HIRST
JOHN KEARNEY
FRED LANGLEY
COL. TREVOR McMILLAN
PETER MOSES
OWEN POLACK
WILLIAM TAYLOR

OFE S. DUDLEY, Ph.D
Chief Executive Officer

STATEMENT OF
THE AMERICAN TEXTILE MANUFACTURERS INSTITUTE

This statement is submitted by the American Textile Manufacturers Institute (ATMI) on behalf of its member companies. ATMI is the national association of the textile mill products industry. Its members are engaged in every facet of textile product manufacturing and marketing and collectively account for more than 75 percent of the raw fibers consumed by the domestic industry.

ATMI is opposed to H.R. 1283, a bill which seeks to repeal subsections (b) and (h) of section 213 of the Caribbean Basin Economic Recovery Act (CBERA) (19 USC 2703) on the grounds that such repeal would cause great economic harm to the American textile industry by causing even greater harm to its largest customer, the American apparel industry and because it is unnecessary.

Repeal of these subsections -- the sole aim of H.R. 1283 -- would permit duty-free entry of textile and apparel products from all countries designated beneficiaries of the CBERA. This would cause an enormous increase of textile and apparel imports into the United States, further disrupting a market that has already been severely disrupted by an enormous volume of imports.

This is not something that the domestic textile industry and its customer, the domestic apparel industry, can afford. During the decade of the 1980's imports of textile and apparel products trebled: from 4.8 billion square yards equivalent (sye) (See exhibit A) in 1980 to a record level 14.58 billion sye last year. This 9.7 billion sye increase led to the closing of hundreds of production, distribution and sales facilities in the United States and the loss of more than 400 thousand American jobs. Enactment of H.R. 1283 would only add to these totals.

In passing the CBERA in 1983 Congress was mindful of the inevitable damage to American firms and American workers if textile and apparel imports from Caribbean countries were permitted duty-free access to the American market, so these products were exempted from the general provisions of the Act. The rationale for making this exception is even more persuasive now than it was then since total textile and apparel imports were 96 percent greater during 1990 than they were in 1983. It was the sense of Congress in 1983 that no single low-wage country -- much less a group of twenty three -- should be permitted duty-free access to the U.S. textile and apparel market, and that should be the sense of Congress now.

Passage of H.R. 1283 would add an additional and unacceptable burden to an industry which, as noted, has already been greatly burdened and will be even more burdened in the future thanks to the insensitive and misguided trade policies of the Administration.

The U.S. government has given its assent to the "Chairman's Text" promulgated by the Negotiating Group on Textiles and Clothing convened under the Uruguay Round of trade negotiations. This document mandates the dismantling, in accelerating stages, of the United States' textile import control program over the next ten years. When implemented, the provisions of the Chairman's Text would lead to an increase in textile and apparel imports from the 1990 level of 12.19 billion square meters equivalent (sme) (14.58 billion square yards) to 30.74 billion sme (36.76 billion square yards) in the year 2001. Since the total U.S. market in that year is projected to be 33.76 billion sme, imports will then account for 91 percent of total domestic consumption. Domestic production, in the meantime, will decline 15 billion sme, precipitating a loss of more than 1.4 million American textile and apparel jobs.

(Parenthetically, it is interesting to note that this projection of import growth under the Uruguay Round textile proposal was calculated not only by ATMI working on its own and independent of any other group, but also by the Department of Commerce in it own independent research. (See Exhibit B) It is no comfort to find an agency of the Administrative Branch agreeing with this grim import scenario. A complete explanation of the effects of the Chairman's Text can be found in the ATMI report Phasing Out the Multifiber Arrangement in the Uruguay Round which is attached hereto for reference.)

ATMI also objects to H.R. 1283 for the reason that it is unnecessary. Insofar as trade in textile and apparel products is concerned, the aims and objectives of the original act -- to facilitate the economic development of the beneficiary countries -- have been more than satisfied. Since the CBERA became effective (1984) apparel imports from the eligible countries have grown 228 percent in quantity and 307 percent in value in just six years.

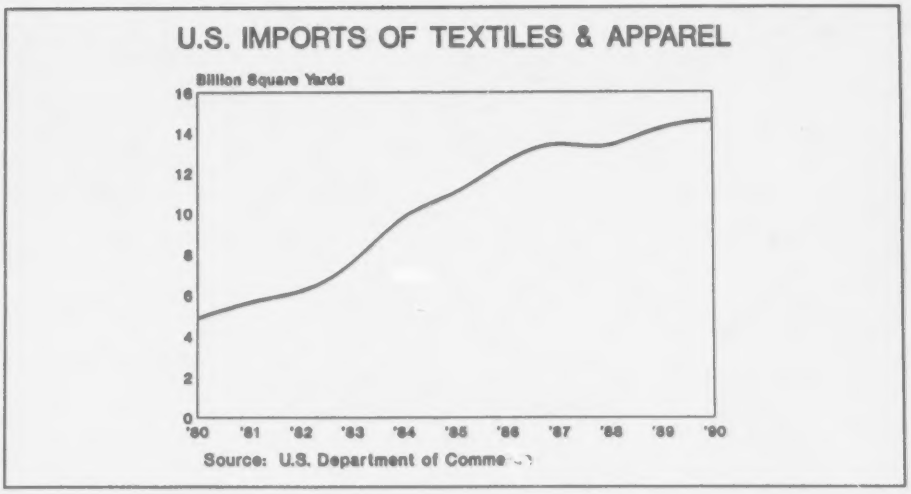
Last year the United States imported $1.88 billion worth of apparel from CBERA eligible countries, a not insignificant sum (See Exhibit C). Collectively, these countries are the fastest-growing foreign supplier of apparel to the U.S. market and now account for one eighth of total apparel imports. This growth and the CBERA countries' ascension to the rank of second among all foreign apparel suppliers[1] was accomplished with import duties in place.

There is another, even more compelling reason not to provide duty-free entry for textile and apparel products produced in CBERA countries: the very real possibility -- indeed, the probability -- that to do so would invite the transshipment of third country goods through the Caribbean. The evasion of import duties is a powerful economic incentive for such illegal activity, as history has shown. While the U.S. Customs Service does a commendable job in policing such activity and enforcing U.S. law, it simply does not have the resources to adequately surveil the great increase in textile and apparel imports that would result from enactment of H.R. 1283. Consequently, the sizeable benefits to be realized from duty-free imports would not only accrue to CBERA countries, which, as is noted above, don't really need them, but to undeserving non-CBERA countries and to dishonest traders in the U.S. and abroad.

For these reasons, ATMI objects to H.R. 1283 and earnestly hopes that Congress will withhold its approval of same.

[1] Official Commerce Department data show that Hong Kong is the second ranking source of apparel imports, but it is well known that much of Hong Kong's apparel exports to the U.S. are transshipped goods which were actually made in China.

EXHIBIT A



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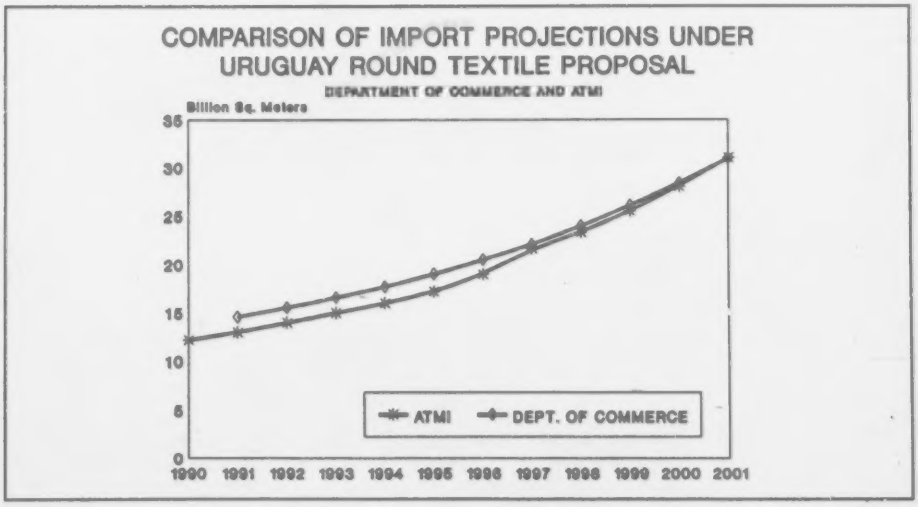
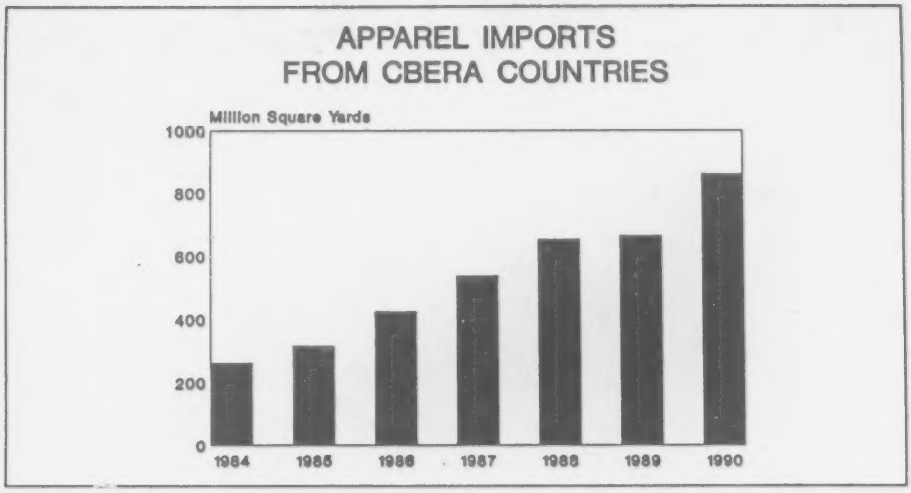


EXHIBIT C1



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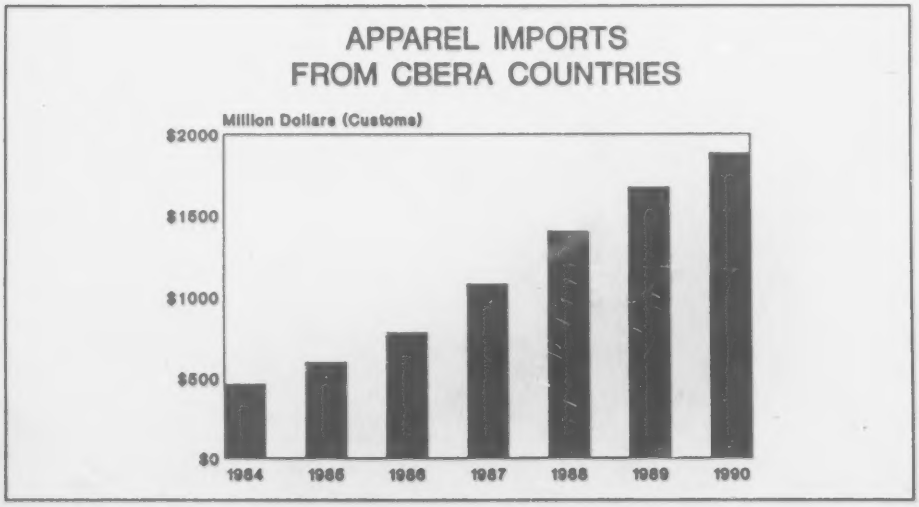

PHASING OUT THE MULTIFIBER ARRANGEMENT IN THE URUGUAY ROUND: THE IMPACT ON U.S. AND FOREIGN PRODUCERS

by

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Executive Summary

Phasing Out The Multifiber Arrangement in the Uruguay Round: The Impact on U.S. and Foreign Producers

The Multifiber Arrangement (MFA) which has been the framework for world textile and clothing trade since January 1, 1974 is likely to be phased out as part of the recently resumed Uruguay Round trade negotiations. The basic elements of the phase-out are embodied in a "Chairman's Text" and are likely to ultimately be agreed to by the participating countries. This study questions the necessity of phasing out the MFA and the wisdom of doing so with such an approach. The study indicates that the Uruguay Round phase-out will destroy the U.S. textile and clothing industry and will also seriously damage Mexico and smaller countries which supply these products to the U.S. market.

Production and exports of textiles and clothing has stagnated in developed countries while the MFA has been in effect. In contrast, developing areas' production and exports of these products has soared. The volume of developing country exports of textiles and clothing tripled in real terms and imports of these products into the U.S. grew faster than imports of most other basic manufactured goods. These developments support the argument that the MFA has assisted the developing countries in expanding their production and exports of textiles and clothing significantly.

The MFA has also served to promote the spread of clothing and some textile production to smaller developing countries such as Bangladesh, Nepal and Burma. Entrepreneurs, primarily Far Eastern, found it profitable to set up operations in such countries which were not yet limited by MFA quotas. The Uruguay Round approach now in the Chairman's Text will stifle the spread of production to such countries and will surrender the U.S. market to the large Asian suppliers like the People's Republic of China (PRC), India, Pakistan and Indonesia.

The significant failure during the years that the MFA has operated is the U.S. government's unwillingness to implement the MFA effectively -- especially since 1980 when import growth began to soar. An analysis of the bilateral agreement with the PRC shows that import growth could have been slowed significantly had the U.S. government chosen to do so. Under the 1982 agreement, the U.S. permitted imports from the PRC to increase to 862 million square yards by 1987. Under a rigorously implemented agreement consistent with the MFA, such PRC imports could have been limited to 552 million square yards. Tougher agreements could have been negotiated and implemented with other suppliers during the 1980's had the U.S. wanted to do so.

The Chairman's Text will create import growth that will destroy the U.S. textile and clothing industry over the 10 year phase-out by displacing two-thirds of U.S. textile and clothing production and 1.4 million workers. Job losses in supporting and supplying industries could be equaily as large. U.S. cotton, wool and man-made fiber producers will be damaged by the disappearance of their largest customer. A particularly destructive feature of the text is the product integration provision that requires the U.S. government to pick product sectors to be sacrificed during the phase-out.
Mexico will suffer also under the Uruguay Round proposal since it will not realize the benefits under a U.S./Mexico free trade agreement that it would if the MFA were to continue. The large non-market and subsidized Asian producers will dominate the U.S. market as the MFA phases out and will gain and defend their market shares fiercely. Mexico's tariff preferences will also be reduced by the amount U.S. textile and clothing tariffs are cut in the Uruguay Round.

It is difficult to understand why the U.S. government is supporting a proposal which not only destroys a major U.S. manufacturing industry but hurts Mexico and small developing countries in the Caribbean and elsewhere and rewards countries like the PRC, India and Pakistan. The U.S. textile industry is committed to opposing the proposal and the Round itself because the industry's very survival is at stake. Countries hurt by this proposal might want to reconsider their positions on the MFA phase-out.

Phasing Out The Multifiber Arrangement in the Uruguay Round: The Impact on U.S. and Foreign Producers

One of the few major changes in the world's trading system likely to emerge from the restarted Uruguay Round of trade negotiations will be the phase-out of the Multifiber Arrangement, or MFA. For the past 17 years, world textile and clothing trade has taken place under the framework of this international arrangement and outside of normal GATT rules. This paper addresses several arguments concerning the MFA, the proposed transition mechanism and the impact of both on world trade in textiles and clothing.

First, a specific phase-out plan is unnecessary because the MFA has enabled developing countries to expand their exports and increase their share of world trade and which, if properly administered, could shield the developed countries from market disruption. Second, the Uruguay Round textile proposal is ill-conceived and extremely damaging to the U.S. textile and clothing industry. Finally, it is argued that the phase-out proposal is inimical to the interests of the smaller developing countries and will be particularly damaging to Mexico and the Caribbean.

I. Import Growth Under the MFA - How Much is Enough?

Since the MFA's inception in 1974, developed countries' production of textiles has been essentially unchanged while developing areas' production has grown by nearly 50 percent (see Table 1). A similar pattern exists in clothing except that developing countries' production has nearly doubled while developed countries' output has declined slightly.

Table 1

Textiles and Clothing Production

	Production of Textiles 1988 (Index 1973 = 100)	Production of Clothing 1988 (Index 1973 = 100)
Developed Countries	102	99
Developing Areas	149	192

Source: GATT Report "Demand, Production and Trade in Textiles and Clothing," 25 September 1989, pp. 6-7.

Table 2 shows the increase in exports of textiles and clothing between 1973 and 1987. World exports of textiles have increased from $16.3 billion to $57.6 billion over that period. Developed countries' share of world textile exports declined from 63 percent to 48 percent, while developing areas' share increased from 27 to 37 percent. Exports of clothing showed a similar trend with world exports rising from $9.0 billion in 1973 to $64.2 billion in 1987. Developed countries' share declined from 38 percent to 27 percent and developing areas' share grew from 42 percent to 56 percent.

Table 2

World Exports of Textiles and Clothing

	Exports			
	Textiles		Clothing	
Exports	1973	1987	1973	1987
World [billion(s) dollars]	16.3	57.6	9.0	64.2
Percentage Shares of World Exports				
Developed Countries	63	48	38	27
Developing Areas	27	37	42	56

Source: GATT Report "Demand, Production and Trade in Textiles and Clothing," 25 September 1989, pp. 6-7.

During this period, developing countries increased their level of exports and their share in the U.S. market very substantially also. Growth in real terms more than doubled:

	Billions sq. yds.		Percent Increase
U.S. Imports:	1973	1988	
Textiles	3.04	6.41	111.0
Clothing	2.09	5.97	185.7

How does the import growth of textiles and clothing compare to import growth in other basic manufacturing industries in the U.S.? As shown in Table 3, between the years 1981 and 1988, textile and clothing imports into the U.S. grew by 163 percent, from $11.3 billion to $29.6 billion. Of six other basic manufacturing industries, only machinery

showed a higher import growth during 1981-88. Textile and clothing imports grew faster than iron and steel, non-ferrous metals, paper, transport equipment and tires and tubes.

Table 3

U.S. Manufacturing Imports

Industry	U.S. Imports (C.I.F. $ Millions) 1981	1988	% Change
Iron & Steel	12,148.0	11,083.5	-8.8%
Machinery	39,386.7	120,241.9	205.3%
Nonferrous Metals	7,077.9	10,457.9	47.8%
Paper, Paperboard Mfg.	3,668.1	8,656.3	136.0%
Textiles & Clothing	11,258.4	29,624.6	163.1%
Tires & Tubes for Tires	1,413.5	2,633.8	86.3%
Transport Equipment	32,798.8	81,696.1	149.1%

By several yardsticks, during the operation of the MFA world trade in textiles and clothing grew rapidly and the shares of that trade shifted steadily to developing areas at the expense of developed countries. Textile and clothing imports into the U.S., primarily from developing areas, have also grown rapidly under the MFA. U.S. textile and clothing imports have grown rapidly relative to imports of other manufactured products, as well.

The MFA has achieved one of its basic objectives "to promote on a sound basis the development of production and expansion of trade in textile products...". On this basis, a phase-out of the MFA in the Uruguay Round is unnecessary and unwarranted. The effort in the Uruguay Round to phase out the MFA is motivated by some developing countries wanting to accelerate their export growth even more and by the U.S. government wanting to get rid of the MFA for philosophical reasons without regard to the virtues of the MFA or the costs and damage associated with the phase-out proposal. This could be short-sighted by developing countries because many supplying countries owe their clothing industries and export markets to the MFA.

II. MFA-Promoted Exports

Another objective of the MFA is "to facilitate economic expansion and to promote the development of developing countries..., by providing larger opportunities for such countries, including countries that are, or that may shortly become, new entrants in the field of textile exports...". The MFA has also achieved that objective and Table 4 lists some of the MFA-induced new clothing exporters. Production in these countries and in

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many others was motivated primarily by the decisions of Hong Kong and other entrepreneurs to invest in countries not restricted by quotas. Investors were secure in knowing that the U.S. textile program would not act quickly to place quotas against new suppliers, so a substantial export level could be achieved before any restraints were likely to be imposed.

The phase-out mechanism now being negotiated in the Uruguay Round will have a negative effect on these kinds of MFA-induced exports. First, at least 45 percent of U.S. imports will be integrated into the GATT during the phase-out. This means that supplying countries can no longer count on guaranteed shares of the U.S. market for these products. Second, increased quota growth will increase the market share of existing quota holders to the detriment of new suppliers. Third, the 10-year limit on quotas will reduce the potential returns on investment in non-quota countries and in relatively higher cost countries. The MFA will no longer be the engine of investment and jobs in emerging new supplier countries.

Table 4

MFA-Induced New Clothing Exporters

U.S. Imports of Clothing
(Millions of Square Yard Equivalents)

	1984	1990
Bangladesh	24.2	262.9
Mauritius	8.5	56.6
Maldives	0	5.9
Nepal	2.6	20.7
Burma	5.8	43.7
United Arab Emirates	7.8	59.2
Costa Rica	33	126
Jamaica	10	91
Guatemala	3	64

SOURCE: U.S. Department of Commerce, Major Shippers Report.

III. Effective Use of the MFA - What the U.S. Could Have Done

A third objective of the MFA is to ensure "the orderly and equitable development of this trade and avoid disruptive effects in individual markets." In the case of the U.S., the rapid growth of textile and clothing imports during the 1980's is evidence that this

objective has not been met. The reasons lie not with the MFA itself, but rather with U.S. government policies and actions which permitted and encouraged rapid import growth during this period. In 1980 U.S. textile and clothing imports were 4.9 billion square yards; by 1989 that number had grown to 13.9 billion square yards. In contrast, also under the MFA, imports during 1974-1980 increased from 4.4 billion to only 4.9 billion square yards in 1980.

The domestic textile industry argued during the 80's that the U.S. government could have implemented the MFA much more effectively than it actually did. The industry cited the U.S. experience during the 70's and the European Community's implementation in the late 70's and early 80's as a case where the EC was able to reduce imports into the Community under the MFA. In response to industry pressure for better implementation, the White House announced in December 1983 that it was directing the inter-agency Committee for the Implementation of Textile Agreements (CITA) to respond more effectively and quickly to prevent market disruption caused by imports of textiles and clothing. In the six months following the announcement imports increased by 26 percent.

In order to quantify what might have been possible under a tightly implemented MFA, an analysis was made of the evolution of imports from the People's Republic of China and the U.S. government's responses to that trade. (See Appendix for details of this analysis.) The PRC textile agreement negotiated in 1982 was the starting point of the analysis.

When quotas were negotiated in 1982, the PRC received substantial increases above its current trade levels. These increases are called "uplifts" and are often granted by the U.S., but are not required by the MFA or the bilateral agreements.

PRC imports in a number of other product categories had grown to disruptive levels in 1982 and could have been put under quota control, but were not. Table 5 (See Appendix) shows a product category analysis of the limits actually negotiated versus the minimum limit that could have prevailed had no uplifts been granted and had all eligible categories been put under quota control.

Of the quotas originally negotiated in 1982, the total coverage amounted to 425 million square yards. Some 47 million square yards were grants of "uplift". Of the 20 remaining product categories which were eligible for quota coverage in 1982, 18 were ultimately covered during 1983-87.

In order to measure the difference between actual quotas and possible lower limits, the analysis assumes that quotas were placed on all 20 categories in 1982 and that quotas on these categories grew at six percent annually. By 1987, these quotas would have grown to 173 million square yards.

However, quotas on these categories were actually established not in 1982, but after much delay between 1983-87, during which trade levels had grown significantly. Moreover, uplift was granted on many of these later quotas. The result is that by 1987, trade in the 20 categories amounted to 437 million square yards -- compared to "possible" quotas of 173 million square yards.

Table 5 can be summarized as follows:

	Million Square Yards		
	Actual Implementation	Possible Implementation	Difference
Original 1982 quotas, categories	425	378	47
1987 imports of other categories eligible in 1982	437	174	263
Totals	862	552	310

The PRC bilateral agreement could and should have been far less generous than it was. U.S. government negotiators will argue that "uplift" is essential if agreements are to be resolved, but the 310 million square yards in increases given to the PRC were clearly excessive. Moreover, most of the increases occurred after 1982 and were due to delays in calling for quota consultations -- not in uplifts.

This scenario was repeated for many of our bilateral agreements -- the latest being the 40 percent average increases in quotas granted recently to Turkey. The fact that the U.S. actually tightened its agreements with Hong Kong, South Korea and Taiwan during the 1980's only proves the point that the MFA can provide an effective framework for preventing market disruption.

Merely continuing the MFA would not prevent damage to the U.S. textile and clothing industry and its 1.7 million workers, but the key point is that a properly administered MFA could have prevented the enormous import surges of the 1980's. But beyond that, an effectively administered MFA today, coupled with a firm policy commitment by the U.S. government could prevent market disruption and slow import growth significantly. However, there appears to be no chance that the present Administration would make such a commitment. Instead, the U.S. seems clearly committed to a Uruguay Round outcome which is ruinous for the domestic industry and its workers. The current

Uruguay Round textile proposal, referred to as the Chairman's Text, is analyzed in Chapter IV and its impact on U.S. production and jobs is also estimated.

IV. The Phase-Out Mechanism - Never in Their Wildest Dreams

The fate of world textile and clothing trade appears sealed with the announced resumption on February 21 of the Uruguay Round talks. Of all the key negotiating groups, textiles is the most advanced and could probably be concluded in a two-day meeting. That is not to say that it will be the first to be concluded, because negotiating dynamics, trade-offs and last minute bargaining may well make it one of the last agreements to be officially completed. It is possible, however, to estimate with considerable accuracy what the agreement will look like and, with some reasonable assumptions, its impact on the U.S. textile and clothing industry.

"Growth-on Growth"

The phase-out proposal contains two main provisions that will affect the growth of imports into the U.S. The first is the "growth-on-growth" feature that increases the growth rates which exist in the 38 U.S. bilateral textile agreements. Average annual growth in those agreements is 3.96 percent and will increase to 7.04 percent during the 10-year phase-out. This will produce, at the very least, a 72 percent increase in current import quotas.

A particularly damaging aspect of this is that not all U.S. quotas are the 3.9 percent average. Some are one percent (a few are even less), some are 3 percent and many are 6 or 7 percent. One might expect that the lower growth rates apply to quotas on more sensitive, heavily import impacted products while higher growth rates are for less sensitive ones. With the exception of the one percent growth rates for wool (highly sensitive), this is not generally the case. The government has instead assigned growth rates based on the supplier country involved. Typically smaller suppliers or politically favored supplying countries get higher growth rates. For example, Pakistan and Indonesia have 7 percent growth rates on many quotas. Turkey has 6 percent rates (except for wool products) regardless of the sensitivity of the product involved. This means that when the growth-on-growth provision is applied, many import sensitive products with growth rates of 6 percent will increase 126 percent over the phase-out period.

The growth-on-growth feature of the Text is also damaging to domestic producers even in the cases where dominant Far East suppliers have lower than average growth rates.

Because the quota levels of those suppliers are so large the growth-on-growth provision produces large absolute increases in the levels of import quotas of those suppliers. For example:

Supplying Country	Growth Rate, %	Product	Quota Limits 1991	2001	Increase
PRC	2.1	Cotton Printcloth (mil. sq. meters)	150	195	45
Hong Kong	2.0	Man-made Fiber Trousers (thou. doz.)	773	994	221
Hong Kong	0.5	Cotton Knit Shirts (thou. doz.)	4,614	4.916	303

Product Integration

The second feature of the phase-out plan that leads to rapid import growth is the so-called "product integration" provision. This requires the U.S. to "decontrol" at least 45 percent of its current imports during the phase-out according to the following schedule:

Beginning Year	U.S. 1990 Imports Integrated
0	10%
5	15%
8	20%

Products integrated into the GATT in this manner cannot be "called" or returned to MFA-type quota control. The only remedy available to domestic producers if these uncontrolled products cause or threaten injury would be to use the "escape clause" procedures of Section 201 of the Trade Agreements Act of 1974. The spotty and largely unsuccessful history of domestic use of Section 201 is well-known and today Section 201 is not much of a remedy at all. In a classic example of its flaws, the U.S. footwear industry obtained modest 201 relief in the early 80's, but was unsuccessful in obtaining an extension. Even though the International Trade Commission (ITC) agreed that an extension was justified, the White House denied relief. Today, imports account for over 82 percent of the U.S. footwear market.

Moreover, while the Uruguay Round may produce some changes in Article XIX of the GATT (the international framework for Section 201), U.S. negotiators have indicated that Section 201 will remain fundamentally unchanged. Suffice it to say that once a product is "integrated", it is essentially beyond the reach of quotas or other import relief -- regardless of subsequent injury to U.S. producers and workers.

Another pernicious feature of product integration is the "central planning" aspect whereby importing governments would have to pick the product sectors to be "sacrificed." Every few years, the Administration must decide whether, for example, the U.S. umbrella industry, sweater industry, soft-sided luggage industry, neckwear industry, cotton broadcloth industry, or wool fabric industry will survive through the full phase-out or will be completely and instantly integrated into the GATT. This is an appalling provision of the Chairman's Text.

Should any bureaucrat be given this much power over the future of companies and workers? Moreover, how will businessmen in the domestic industry plan future investments not knowing whether they will "make the cut" and survive? They won't and failure to invest will accelerate the downward spiral for the industry. Why would the U.S. agree to such an insidious process? In any case, the Administration has done so and as the death knell sounds for product sector after product sector in the U.S., there will be rejoicing in the streets of Bombay, Peking, Karachi and Jakarta.

Impact of Accelerated Import Growth

The impact of the growth-on-growth and product integration provisions has been estimated in Table 6 and is shown graphically in Figure 1. The impact on domestic production and employment in textiles and clothing is devastating. During the 10-year phase-out, U.S. textile and clothing production will decline from 17.8 billion square meters to 3.0 billion and employment in the industry will drop to 302,000 workers from its current level of 1.7 million.

The analysis assumes U.S. market growth of one percent annually over the ten year phase-out. This assumption is based on several sources:

- An extrapolation of the 1974-1990 trend in market growth as shown in Figure 2.

- Estimates done by U.S. fiber producers using econometric models and other analyses to derive market growth projections for key sectors of the textile and clothing industry.

These estimates coincide with the rational expectation of slow growth in consumption of these products because of slow population growth and an aging population forecasted over the next decade.

However, even if market growth were to increase to two percent annually -- an estimate considered "off the charts" by industry analysts, the Chairman's Text would still produce an extremely damaging result. Domestic production would decline to 5.8 billion square meters and some 1.1 million jobs would be lost. Even overly optimistic projections of market growth cannot compensate for the damaging excesses of this agreement.

ANALYSIS OF GROWTH RATES AND PRODUCT INTEGRATION SCENARIO FOR U.S. TEXTILE AND APPAREL IMPORTS
AS FOUND IN CHAIRMAN'S TEXT OF 19 NOVEMBER 1990
(1990 ACTUAL IMPORTS)

FIRST 5 YEARS HAS 10.0% UNCONTROLLED GROWTH, 0.6 PERCENT CONTROLLED BY TEXTILE SAFEGUARD MECHANISM
LAST 5 YEARS HAS 7.5% UNCONTROLLED GROWTH, 0.5 PERCENT CONTROLLED BY SAFEGUARD, THREE STEP REINTEGRATION

	UNCONTROLLED IMPORTS	TOTAL QUOTA AVAILABLE	TOTAL CONTROLLED IMPORTS	TOTAL IMPORTS	U.S. MARKET	IMPORTS AS % OF U.S. MARKET	US DOMESTIC PRODUCTION	DOMESTIC PRODUCTION EMPLOYMENT
1990 ACTUAL	4,922.2	9,084.6	7,267.7	12,189.9	30,264	40.28	18,074	1,757,000
1991	5,414.4	9,475.9	7,580.7	12,995.1	30,567	42.51	17,571	1,757,150
1992	5,955.9	9,918.3	7,934.6	13,890.5	30,872	44.99	16,982	1,698,182
1993	6,551.4	10,421.0	8,336.8	14,888.2	31,181	47.75	16,293	1,629,280
1994	7,206.6	10,994.4	8,795.5	16,002.1	31,493	50.81	15,491	1,549,074
1995	7,927.3	11,650.6	9,320.5	17,247.7	31,808	54.22	14,560	1,456,002
1996	10,548.5	10,565.0	8,452.0	19,000.5	32,126	59.14	13,125	1,312,535
1997	11,339.6	11,418.1	10,276.3	21,616.0	32,447	66.62	10,831	1,083,114
1998	12,190.1	12,396.6	11,156.9	23,347.0	32,772	71.24	9,425	942,453
1999	15,542.4	11,063.2	9,956.9	25,499.3	33,099	77.04	7,600	760,001
2000	16,708.1	12,511.8	11,260.6	27,968.7	33,430	83.66	5,462	546,158
2001	17,961.2	14,199.6	12,779.6	30,740.8	33,765	91.04	3,024	302,376

GROWTH OF UNCONTROLLED TRADE
- 1983 THROUGH 1989 UNCONTROLLED GROWTH = 10.6% / YEAR
- ASSUMED UNCONTROLLED GROWTH RATE = 10.0% FOR FIRST 5 YEARS AND 7.5% FOR LAST 5 YEARS OF INTEGRATION
- THE OTHER 0.6 FOR FIRST 5 YEARS AND 0.5 PERCENT FOR LAST 5 YEARS IS CONTROLLED USING THE NEW SAFEGUARD MECHANISM

GROWTH OF CONTROLLED TRADE IS BASED ON CURRENT NEGOTIATING TEXT
- GROWTH IN FIRST 4 YEARS IS 16 % ABOVE PRESENT AVG. GROWTH RATE OF 3.98 % (4.62 %)
- GROWTH IN NEXT 3 YEARS IS 21 % ABOVE PREVIOUS PERIOD'S LEVEL (5.59 %)
- GROWTH IN FINAL 3 YEARS IS 26 % ABOVE PREVIOUS PERIOD'S LEVEL (7.04 %)

REINTEGRATION OF PRODUCTS:
- INITIAL REINTEGRATION DOES NOT INCLUDE PRODUCTS PRESENTLY UNDER QUOTA AND DOES NOT APPEAR IN ANALYSIS
- 15 PERCENT OF 1990 CONTROLLED TRADE IS REINTEGRATED INTO UNCONTROLLED IN 1996
- 20 PERCENT OF 1990 CONTROLLED TRADE IS REINTEGRATED INTO UNCONTROLLED IN 1999

TOTAL IMPORTS = SUM OF UNCONTROLLED IMPORTS + CONTROLLED IMPORTS (WHICH IS ASSUMED TO BE 80% OF QUOTA AVAILABLE FOR FIRST FIVE YEARS AND 90 % FOR LAST FIVE YEARS)

MARKET GROWTH = ONE PERCENT PER YEAR IN SQUARE METERS

EMPLOYMENT
- DOMESTIC PRODUCTION EMPLOYMENT PROJECTIONS BASED ON 100,000 WORKERS PER BILLION SME PRODUCTION
- THE AVERAGE LABOR PER SQUARE METER WILL NOT, IN REALITY, REFLECT LOSSES OVER TIME BECAUSE IT IS LIKELY THAT PRODUCTS WITH A HIGH LABOR CONTENT WILL BE AFFECTED BY IMPORTS FIRST

Table 6

Figure 1

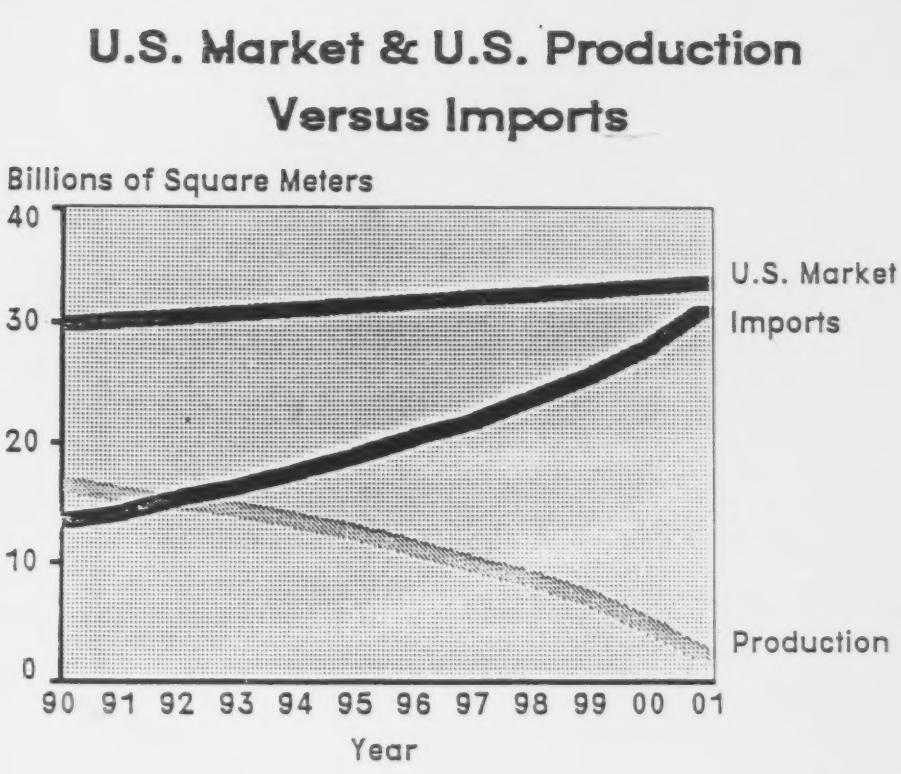

U.S. Market & U.S. Production
Versus Imports
Billions of Square Meters
40
30
20
10
0
90 91 92 93 94 95 96 97 98 99 00 01
Year
U.S. Market
Imports
Production

Figure 2

THE U.S. MARKET FOR TEXTILES
GROWING SLOWLY OVER TIME

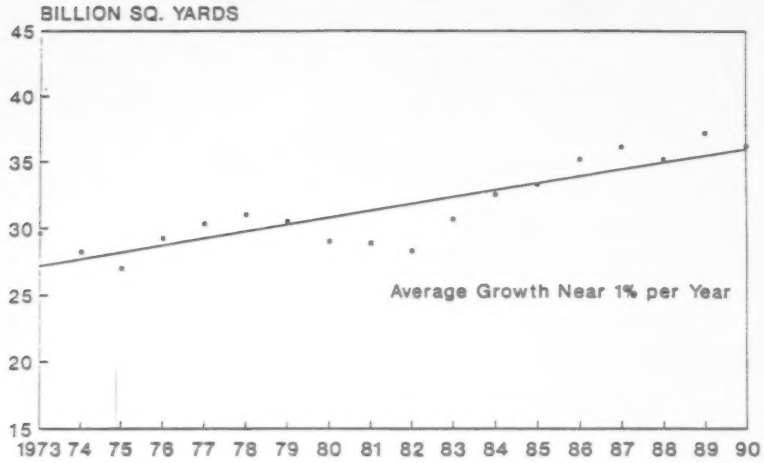
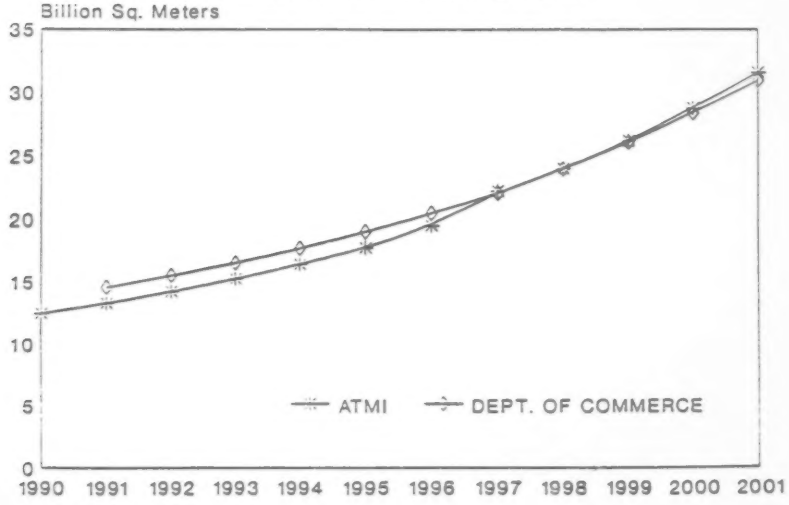


Figure 3

COMPARISON OF IMPORT PROJECTIONS UNDER URUGUAY ROUND TEXTILE PROPOSAL

DEPARTMENT OF COMMERCE AND ATMI



Secondary effects will be at least as damaging. A conservative one-to-one "ripple" effect could produce an additional 1.4 million job losses in supporting and supplying industries. Fiber producers will be especially hard hit since the domestic textile industry consumes more than half of the U.S. cotton crop and nearly all of the wool grown and man-made fibers produced in the U.S.

The analysis is based on import growth estimates which closely track estimates made by the U.S. Department of Commerce. These estimates are compared in Figure 3.

Other Provisions

The Chairman's Text has several other features that are being touted by the Administration as major improvements over the MFA. None of these claims stand up to close scrutiny. The Administration claims that the Text's "cumulative disruption safeguard" feature will permit the U.S. to place quotas on disruptive products from more than one supplying country during the phase-out (except for products already integrated). The current MFA also permits this; cumulative market disruption has been a cornerstone of the MFA since its inception. The U.S. has chosen not to use it extensively and is now "paying" at the bargaining table to get it in the Chairman's Text. In any case, it will have little operational significance because the five agencies (State, Treasury, Labor, Commerce and USTR) on the Committee to Implement Textile Agreements (CITA) often have difficulty agreeing on one new quota. Why will they agree more readily to multiple quotas?

The Administration also claims that the provision relating to quota fraud involving transshipments is a major improvement. In fact, the U.S. can already act decisively and unilaterally -- and sometimes does -- against countries who circumvent quotas. Recent actions against Macau and the People's Republic of China show that if the political will is there, the mechanisms are in place at U.S. Customs to police the quota agreements. Again, the U.S. is paying for something it can already do.

Finally, the Chairman's Text is hailed by the Administration as opening markets in the developing countries which are now closed or severely restrict foreign textile products. But in fact, this provision has no teeth in it. For example, should the U.S. decide that India has not fulfilled its GATT obligations to open its market, the U.S. is entitled to protest to a group of countries which will comprise a Textile Monitoring Body (TMB). The TMB will decide whether the U.S. protest has merit. However, even if the TMB does agree with the U.S. (which is not exactly a cinch since some countries on the TMB are also likely targets for such complaints), India can object. The entire process would ultimately be decided by a vote of the GATT Council of some 100 countries, three quarters of which are developing countries and a majority of which have substantial restrictions themselves on imported textile products. Even if the U.S. protest were successful, the Text does not spell out the sanctions permitted to be applied against non-performing countries (in this case, India).

For this reason, the analysis of the impact of the Chairman's Text on U.S. production and jobs did not include projections of increased domestic production for export. Nonetheless, such an estimate was made in order to assess, at least theoretically, the impact of opening foreign markets. If textile and clothing exports from the U.S. were to increase 5 percent annually in real terms (a heroic assumption), after 10 years, U.S. production would be only 2 billion square meters higher than reported in Table 5 and 173,000 more U.S. workers would be employed. The result remains a disaster for the domestic industry.

Conclusion

The major developing countries must find it difficult to believe that such a proposal as in the Chairman's Text has advanced nearly to full agreement. It is likely that never in their (or their U.S. consultants') wildest dreams did they envision such a capitulation by the developed countries. What started out five years ago at the beginning of the Uruguay Round with a simple statement that talks should begin to figure out how the MFA should be phased out and under what conditions now threatens the very existence of the U.S. textile and clothing industry. However, the Chairman's Text so favors the dominant, low-wage major Far East suppliers that the U.S. textile and clothing industry could be only one of the victims displaced by the likes of the PRC, India, Pakistan, etc. Mexico and smaller developing countries might wind up wishing this was all a dream.

V. The MFA Phase-Out - What's Left for Mexico?

The phase-out of the MFA coupled with Uruguay Round reductions of U.S. tariffs on textiles and clothing will significantly reduce the value of the proposed Mexico/U.S. Free Trade Agreement (FTA). Moreover, the type of phase-out mechanism currently on the table and likely to be agreed to will be highly disadvantageous to Mexico.

To understand the impact of these developments on Mexico, it is necessary to look at the composition of Mexico's exports to the U.S. and the prices of those exports relative to other, and especially Far Eastern, suppliers. The major exports from Mexico to the U.S. currently by product category are in Table 7. Also shown are the major suppliers of these products to the U.S. Clearly, Mexico's current competition in the U.S. market is from the large Far East suppliers.

Table 7

Major U.S. Imports From Mexico

Product Category	1990 mil.sme.	Mexico's Rank	Other Major Suppliers
313 - Cotton Sheeting	20.1	7	Pakistan (1) Taiwan (2) PRC (3) Korea (4) USSR (5) Hong Kong (6)
651 - Man-made fiber nightwear	13.5	4	Dom. Rep. (1) PRC (2) Taiwan (3)
652 - Man-made fiber underwear	19.3	3	Hong Kong (1) PRC (2)

The Chairman's Text will permit products which remain under quota during the ten years of the phase-out to grow an average of 72 percent. It is true that Mexico generally enjoys higher annual quota growth rates than the major Far East suppliers (6% vs. 1 to 3%). Thus, one might argue that Mexico will be relatively better off under the Chairman's Text. That is not necessarily the case if one considers the absolute increases resulting from the compounded growth effects on the very large Far East quotas compared to the relatively smaller Mexican quotas. (See Table 8.) Moreover, many Far East quotas are not only large, but are less than fully utilized, which increases the potential for surges of imports from the Far East.

Table 8

Quota Growth - Mexico and Its Major Asian Competitors

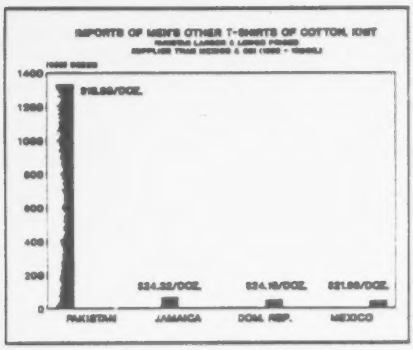
Product Category	1991 Growth Rate, %	Quota Limit, units 1991	2001
219 - Cotton Duck Fabric, Mil.Sq.M.			
Hong Kong	2.5	37.6	52.9
Mexico	6.0	14.0	31.2
313 - Cotton Sheeting, Mil.Sq.M.			
Pakistan	5.7	71.1	152.3
Mexico	6.0	25.0	55.7
315 - Cotton Printcloth, Mil.Sq.M.			
PRC	2.1	146.0	194.7
Mexico	6.0	45.0	100.2
635 - Women's & Girls' Man-Made Fiber Coats, Thou.Doz.			
PRC	3.5	527	847
Mexico	6.0	129	288
652 - Man-Made Fiber Underwear, Thou.Doz.			
Pakistan	2.0	3,905	5,138
Mexico	6.0	1,600	3,563

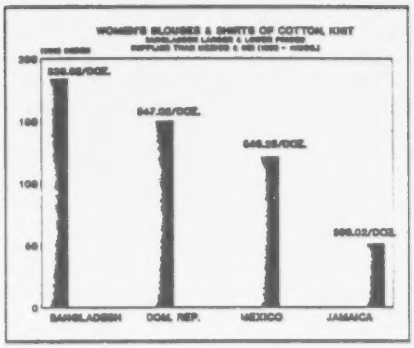
Source: U.S. Department of Commerce, Major Shippers Report and Summary of Agreements.

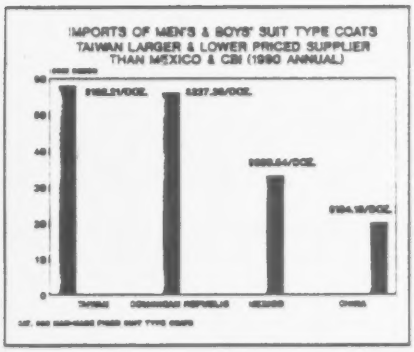
Mexico's relative competitiveness is illustrated in Figure 4 and shows that in several knit and woven clothing products, as well as in a basic cotton fabric, Mexico is a higher cost supplier than the dominant Far East supplier and, in some cases, than even suppliers in the Caribbean. In all of the examples, Mexico would still be a higher cost supplier on a duty-free basis.

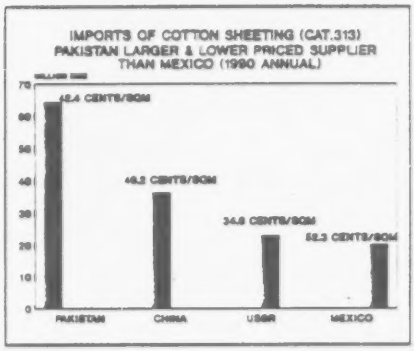
Figure 4

MEXICO'S RELATIVE COMPETITIVENESS IN CLOTHING EXPORTS









SOURCE: U.S. Department of Commerce
Bureau of the Census

Because U.S. textile and clothing tariffs will be cut in the Uruguay Round on an MFN basis, Mexico wi.. be further disadvantaged in an FTA, since their margin of tariff preference will shrink.

The Chairman's Text also contains an especially damaging feature for Mexico -- product integration. Importing countries will have to "integrate into the GATT" at least 45 percent of their current import trade in three stages during the 10-year phase-out. This means that Mexico will be confronted with intensified competition in the integrated products from the dominant Far East suppliers as soon as the Uruguay Round is implemented. That competition will escalate during the phase out. Importers in the U.S. could favor their already established Far East suppliers who will become increasingly free of quotas, rather than switch to a less-well established Mexican textile and clothing industry, even though duties with Mexico are being phased out. At the same time, Far East suppliers will be competing among themselves for the U.S. market and the likely winners will be the large, low-wage and primarily non-market economy, subsidized producers such as the People's Republic of China, India, Pakistan, and Indonesia. These economies are not substantially market-driven, especially in exporting where their main objectives are to earn foreign exchange and create jobs. They will not surrender market share easily to Mexico.

Mexico's situation under an FTA would be far better with a continuation of the current MFA. The dominant Far East suppliers are under extensive MFA quota coverage with relatively low growth rates. The four Far Eastern countries mentioned above currently supply nearly 3 billion square meters (or 23% of total imports) to the U.S. with most of it under quota. If the MFA were effectively administered by the U.S., the shares of those suppliers could remain stable under a continued MFA. In that scenario, Mexico would have a real preferential advantage in the U.S. market as Mexico gains duty-free and quota-free access.

In spite of this, the Administration is seeking an extension of fast track authority to implement both the Uruguay Round and an FTA with Mexico. Yet the type of Uruguay Round the Administration supports is clearly inimical to Mexico's interests in an FTA -- at least so far as textiles and clothing are concerned.

IV. Conclusions and Policy Implications

The key results of implementation of the MFA phase-out in the Uruguay Round will be:

- The U.S. textile and clothing industry over the next decade will essentially disappear as a major manufacturer and the largest manufacturing employer in the U.S.

- o U.S. fiber producers -- cotton, wool and man-made -- will have to cope with the disappearance of their largest customer and will be seriously damaged.

- o The PRC, India, Pakistan, Indonesia and other large low-wage, essentially non-market, subsidized economies will dominate the U.S. textile and clothing market with the PRC clearly the principal beneficiary.

- o Mexico, even with a free trade agreement with the U.S., and smaller developing countries will lose market share in the U.S. to the dominant Asian producers.

The most incomprehensible aspect of these developments is that the U.S. government is not only going along with but is actively supporting this result. Perhaps the Administration has reasons why it wants to surrender its market to the truly undeserving textile producers such as China, India and Pakistan, but it is difficult to fathom what they are. These countries have slaughtered their own citizens, ignored and flaunted the rules and disciplines of the GATT, cheated on textile and clothing qutoas, obstructed progress in the Uruguay Round and maintained markets closed to textile and clothing imports (as well as to many other products). It is almost impossible to assemble a more undeserving list of countries.

A better approach would have been for the Administration to insist on a continuation of the MFA when the U.S. global quota proposal was rejected in Geneva in October. It is true that the U.S. textile and clothing industry has been critical of U.S. implementation of the MFA over the 1980's -- and for good reason as the analysis of the PRC textile agreement demonstrates. But, as that analysis shows, the MFA framework can provide bilateral structures which can act to prevent market disruption and slow import growth as occurred during the past decade.

A continued MFA -- if properly implemented -- would:

- o Avoid the loss of over a million U.S. textile and clothing jobs and as many again in supporting and supplying industries;

- o Continue to provide guaranteed and growing access to developing country producers;

- o Continue the incentives for new small country suppliers to emerge as textile exporters;

- o Provide Mexico real and meaningful preferential access to the U.S. market under a free trade agreement.

Instead, the Administration opts to do the bidding of the large, Asian developing countries and the U.S. textile industry is once again pitted against the Administration in fighting for its very survival. The industry has tried three times in the past six years to enact textile legislation that would counter the Administration's unwillingness to implement the MFA effectively. Perhaps, it is too much to expect that the Administration would be willing to change its policy now, since it seems to be pursuing the extinction of this industry with a vengeance, regardless of the costs.

Because the Administration is supporting the Chairman's Text or some close, possibly worse, approximation, ATMI has committed to fight the Uruguay Round outcome at every opportunity. This means that ATMI is opposed to the extension of fast track authority which is being sought by the Administration.

From a domestic textile perspective, Congress needs to amend the Uruguay Round agreements -- because the Administration is unwilling to do so. It may be that other agreements will need to be amended, as well. Some U.S. manufacturing, agricultural and service interests other than fibers, textiles and apparel have voiced concerns about the likely Uruguay Round outcome. Pharmaceuticals, telecommunications, semi-conductors, sugar, dairy and peanuts are some which could be disadvantaged and Congress should have an opportunity to address their concerns as well when the agreements are sent to the Hill.

Promises by the Administration that it will "do right" and will consult Congress in the private sector along the way just does not hold up in light of what has already happened in the textile negotiations. The Administration has ignored both Congress and private sector advisors in embracing the textile agreement now being concluded in Geneva. It is one thing to meet with Congress, Congressional staff and the private sector; it is quite another to do so with a closed mind and no intention of changing one's position. That is exactly what has happened since October when the Administration abandoned its global quota approach and opted for the ruinous MFA phase-out contained in the Chairman's Text. One action that will spare the U.S. textile/apparel industry from the devastating results of that agreement is for Congress to assert its constitutionally mandated authority over trade. It must tell the Administration that they have gone too far in trading away U.S. jobs in the Uruguay Round and in ceding U.S. authority to international tribunals. Congress needs to step in and right the wrongs in these agreements.

The Administration's counter-argument that the negotiations cannot be effectively concluded unless Congress gives to the Executive Branch final and absolute authority over the contents of the agreements and that the talks would be endless if Congress were to make any changes really begs the crucial question. If what the Administration negotiates is harmful to U.S. interests, takes away millions of U.S. jobs, and devastates entire industries, then shouldn't Congress step in and fix it? Isn't that better than going to the brink as Administration spokesmen suggest: that if Congress doesn't like the results, they can always vote it down?

APPENDIX

Table 5 - Analysis of Bilateral Agreement with China Established for Period 1983-1987

Table 5A - Description of Categories in Analysis of U.S.-China Bilateral

ANALYSIS OF BILATERAL AGREEMENT WITH CHINA ESTABLISHED FOR PERIOD 1983 -1987

.EGORY	CONV. FACTOR	US - PRC AGREED LIMIT	1982 TRADE OR LIMIT	DIFFERENCE IN SQUARE YARDS
	1.00	15,000,000	9,763,000	5,237,000
.	1.00	118,000,000	68,900,000	49,100,000
,	3.50	3,511,588	3,409,308	357,980
.	36.20	52,000	40,835	404,173
.	41.30	200,304	169,614	1,267,497
.	41.30	274,275	335,885	(2,544,493)
	25.00	829,400	669,069	4,000,275
,	7.20	767,970	552,136	1,554,005
,	7.20	895,565	865,280	218,052
,	24.00	601,586	443,456	3,795,120
,	16.50	456,760	472,347	(226,012)
.	17.80	155,000	98,711	1,801,944
/8	17.80	1,782,477	1,730,560	924,123
,	51.00	89,000	83,498	280,602
,	52.00	290,000	280,633	487,084
.	.50	18,000,000	17,186,990	406,505
,	54.00	9,750	14,740	(269,460)
./6	14.88	255,025	351,095	(1,429,522)
/	18.00	69,215	75,102	(105,966)
,	18.00	18,500	17,498	18,036
,	3.50	615,000	466,703	519,040
.	34.50	379,497	446,024	(2,295,182)
,	41.30	394,711	515,215	(4,976,815)
.	45.30	295,000	155,791	6,306,168
,	24.00	1,070,000	979,626	2,168,976
,	14.50	865,000	952,310	(1,265,995)
./6	36.80	601,000	583,495	644,184
/	17.80	750,955	723,768	483,929
,	17.80	966,468	2,002,527	(18,441,850)

Table 5A

DESCRIPTION OF CATEGORIES IN
ANALYSIS OF U.S.-CHINA BILATERAL

314	F	COTTON POPLIN/BROADCLOTH
315	F	COTTON PRINTCLOTH
317	F	COTTON TWILLS
330	A	COTTON HANDKERCHIEFS
331	A	COTTON GLOVES & MITTENS
333	A	COTTON SUIT-TYPE COATS, MB
334	A	OTHER COTTON COATS, MB
335	A	COTTON COATS, WGI
336	A	COTTON DRESSES
337	A	COTTON INFANTS WEAR
338	A	COTTON KNIT SHIRTS, MB
339	A	COTTON K-SHIRTS & BLOUSES, WGI
340	A	COTTON WOVEN SHIRTS, MB
341	A	COTTON WOVEN SHIRTS & BLOUSES, WGI
342	A	COTTON SKIRTS
345	A	COTTON SWEATERS
347	A	COTTON TROUSERS & SHORTS, MB
348	A	COTTON TROUSERS & SHORTS, WGI
350	A	COTTON DRESSING GOWNS, ETC.
351	A	COTTON NIGHTWEAR & PAJAMAS
352	A	COTTON UNDERWEAR
360	M	COTTON PILLOWCASES
361	M	COTTON SHEETS
363	M	COTTON TERRY & PILE TOWELS
369	M	OTHER COTTON MANUFACTURES
369-L	M	COTTON LUGGAGE
369-H	M	COTTON HANDBAGS
369-S	M	COTTON SHOPTOWELS
369-D	M	COTTON DISHTOWELS
410	F	WOOL WOVEN FABRIC
431	A	WOOL GLOVES & MITTENS
435	A	WOOL COATS, WGI
442	A	WOOL SKIRTS
443	A	WOOL SUITS, MB
445	A	WOOL SWEATERS, MB
446	A	WOOL SWEATERS, WGI
447	A	WOOL TROUSERS, MB
448	A	WOOL TROUSERS, WGI
630	A	M-MF HANDKERCHIEFS
631	A	M-MF GLOVES & MITTENS
634	A	OTHER M-MF COATS, MB
635	A	M-MF COATS, WGI
636	A	M-MF DRESSES
637	A	M-MF INFANTS WEAR
638	A	M-MF KNIT SHIRTS, MB
639	A	M-MF KNIT SHIRTS & BLOUSES,WGI
640	A	M-MF WOVEN SHIRTS, MB
641	A	M-MF WOVEN SHIRTS & BLOUSES,WGI
645	A	M-MF SWEATERS, MB
646	A	M-MF SWEATER, WGI
647	A	M-MF TROUSERS, MB
648	A	M-MF TROUSERS, WGI
649	A	M-MF BRASSIERES, ETC.
653	A	M-MF DOWN-FILLED COATS, MB
666	M	OTHER M-MF FURNISHINGS

MB - MEN'S AND BOYS'
WGI - WOMEN'S, GIRLS' AND INFANTS
M-MF - MANMADE FIBER

Statement
of
American Tunaboat Association

SUMMARY

The addition of canned tuna in the duty-free provisions of the Caribbean Basin Economic Recovery Act (CBERA) H.R. 1283 is opposed. The U.S. Canned Tuna Industry has been substantially damaged by imports of canned tuna in water from Southeast Asia. The future of tuna canneries in the United States and Puerto Rico are in jeopardy. The loss of such canneries could also impact the tuna plants in American Samoa. This could result in the elimination of U.S. based frozen tuna buyers for the U.S. Tuna Fleet. In its present economic and competitive condition, the U.S. Canned Tuna Industry, fleet and canners, could not withstand free trade competition from Caribbean Basin Tuna canners in addition to the growing competition from Southeast Asia and possible competition from Mexican Tuna Canners. The removal of U.S. Tuna Canners from Continental United States and Puerto Rico, and therefore, the removal of the U.S. Tuna Fleet servicing such canners, would not benefit the long term interests of the U.S. consumer of canned tuna.

Introduction:

The American Tunaboat Association (ATA), organized in 1921, is a non-profit trade association formed and operating under the laws of the State of California. Its membership is comprised exclusively of persons who own and operate tuna purse seine vessels. Vessels of this type account for over 98 percent of those domestic tuna landings sold for processing into a canned product by U.S. Tuna Canners. This fleet fishes for those species of tuna that are canned with a label describing the tuna as "lightmeat". According to the United States International Trade Commission (USITC), shipments of "lightmeat" canned tuna accounted for 80 percent of the U.S. market in 1989. In 1989, the U.S. canners received 222,111 short tons of "lightmeat" tuna from the U.S. Fleet and 212,594 short tons from foreign fishermen. In addition, the U.S. Fleet exported 26,846 short tons to foreign tuna canners during such year. According to Government reports, the U.S. Canners received 189,044 short tons of "lighmeat" tuna from the U.S. Fleet and 127,649 short tons from foreign fishermen in 1990. Exports of frozen tuna in 1990 by the U.S. Fleet is estimated to be about 50,000 short tons.

U.S. Tuna Fleet Background:

At present, the U.S. Tuna Purse Seine Fleet operates exclusively on fishing grounds located in the Pacific Ocean. During the period 1957-1990, there were 270 vessels built or converted as tuna purse seiners for the U.S. Fleet. As a result of removals caused by sales to foreign citizens, losses at sea, and sales for use in other U.S. fisheries, the U. S. Tuna Purse Seine Fleet as of April 1, 1991 is composed of 58 vessels. Two of such vessels are idle because of financial difficulties.

Although the U.S. Tuna Purse Seine Fleet has declined in total number of job berths, vessels and carrying capacity, the fleet remains highly productive and competitive. Production per capacity ton has increased on the average from 2.5 per ton in 1985 to 3.5 per ton in 1989. Catch per vessel has increased on the average from 2,585 tons in 1985 to 3,936 tons in 1989. Nevertheless, job berths in the fleet have declined from a high of 2,176 in 1982 to about 1,060 in February 1991.

U.S. Tuna Canners Background:

Since 1985, the USITC has obtained much documentation concerning the trade of canned tuna in the United States. Such documentation clearly shows the substantial decline that has occurred in all segments of the U.S. Industry. In 1979, there were 22 U.S. Tuna Canners. They were located: Continental

United States (14), Hawaii (1), Puerto Rico (5), and American Samoa (2). Today there are only 7 tuna canneries. They are located in Continental United States (2), Puerto Rico (3) and American Samoa (2). Only one tuna cannery services the fleet in Continental United States: Pan Pacific, San Pedro, California. Two of the five tuna canners in operation in January 1990 in Puerto Rico closed down after April 1990. All of the remaining tuna plants operating in Puerto Rico have reduced their operations.

The 1990 USITC Report states that employment at Pan Pacific's California plant "declined from 1,228 workers in 1984 to 525 workers in 1989", and that employment in Puerto Rico's tuna canneries declined from approximately 15,000 jobs in 1982 to 8,000 in 1989", and that as of "July 1990 the number employed by the canneries totaled approximately 6,600, a decline of 1,400 workers since 1989".

In 1988-89, Van Camp and its "Chicken of the Sea" brand of canned tuna was sold to an Indonesian company, and Bumble Bee was bought by a Thailand Company. Star Kist, Bumble Bee and Van Camp, the three largest tuna firms in the United States, accounted for about 80 percent of domestic production of canned tuna in 1989. In 1990, Van Camp closed operations in Puerto Rico, and Bumble Bee substantially reduced its operation in Puerto Rico. Also in 1990, a loin plant in Santa Fe Springs, California was opened by Bumble Bee; such plant deals exclusively with imported products.

Free Trade in Canned Tuna Opposed:

Our membership is convinced that unfair competition in the trade of canned tuna, assisted by unrealistic U.S. tariff levels and structure, will continue to cause the removal of cannery plants from United States and Puerto Rico. And in time, also American Samoa, where tuna canning is the mainstay of the economy. Frozen tuna, the product produced by the U.S. Tuna Fleet already enters the U.S. market free of duties. Foreign tuna vessels can unload directly to the canners in American Samoa and for transshipment in Guam and the Commonwealth of the Northern Marianas. Foreign tuna fishermen already enjoy substantial trade advantages in the U.S. market. It is the U.S. Tuna Canner that has been directly harmed by low cost imports of canned tuna in water, and therefore, indirectly, the U.S. Tuna Fleet. This is why we are concerned about the impact of H.R. 1283 concerning the trade in canned tuna.

During the period 1982-1984, the three major tuna canners, Star Kist, Van Camp and Bumble Bee closed their canneries in California and Hawaii. According to a Sea Grant Study published in August, 1985, over 12,500 jobs were lost as a result of such closures. Now, we are witnessing closures of tuna canneries in Puerto Rico, and possibly the closure of the single remaining cannery in continental United States that services the U.S. Tuna Fleet. The U.S. Canned Tuna Industry, particularly those segments located in Califonia and Puerto Rico, have reason to be concerned about their economic survival. We are convinced that without U.S. Tuna Canners located in the United States, Puerto Rico and American Samoa, the competitive ability of the U.S. Tuna Fleet to effectively compete in the international trade of frozen tuna will be substantially destroyed. The U.S. Tuna Fleet must have the option of selling frozen tuna to both domestic and foreign tuna canners in order to enjoy healthy competition. We believe that jeopardy to the domestic tuna canners means jeopardy to the U.S. Tuna Purse Seine Fleet. We believe, therefore, that the present economic condition of the U.S. Canned Tuna Industry could not withstand free trade of canned tuna products from the Caribbean Nations. Nor do we believe that such free trade of canned tuna would be of long-term benefit to the U.S. consumer. It can be demonstrated that once the consumer of canned tuna is dependent upon foreign caught and foreign processed canned tuna, prices of canned tuna rise significantly.

Probable Economic Effects:

A. On Tuna Canners:

On page 4-15 of the USITC Publication 2353, February 1991, entitled: The Likely Impact on the United States of a Free Trade Agreement with Mexico, it is stated:

> "The overall impact of an FTA on U.S. imports of Mexican fisheries products would likely be negligible, because most of the trade enters duty free. However, the removal of the relatively high U.S. duties on canned tuna would likely result in a significant increase in U.S. imports of such products from Mexico in the long term****."

On page 4-14 of such report, it is stated:

> "Removal of U.S. duties on canned tuna would likely result in a significant increase in U.S. imports of such items from Mexico. The harm such an increase in imports would likely do to the U.S. Tuna Industry would be significant***."

(1) Likely Cause Closure of Tuna Canner in California:

If canned tuna products are allowed to enter the United States duty free under H.R. 1283 and under a FTA with Mexico, then clearly, the only operating tuna cannery in continental United States - Pan Pacific of San Pedro, California - would be required to cease operations. In such USITC Report, on page 4-15, it is stated that Mexican penetration of the U.S. canned tuna market in the short run would "probably be limited to packing under contract for supermarkets for their own private label." This would also be the realistic penetration of canned tuna imports from Caribbean tuna canners. Pan Pacific is almost exclusively in the private label market. Thus, such arrangements allowing free trade treatment of canned tuna would cause the closure of the Pan Pacific plant. This is the tuna canner that took the entire 1990 production of the U.S. albacore fleet landed in Pacific Coast ports in California, Oregon and Washington, and sold for canned tuna processing. Without Pan Pacific, the bluefin tuna production of the purse seine fleet operating in San Pedro, California, could not be sold. So also, would the production of the San Pedro purse seine fleet dedicated exclusively to fishing for the tropical tunas (yellowfin and skipjack). The large tuna purse seine vessels fishing from San Diego would be required to depend on tuna canners operating in Puerto Rico and American Samoa. Such diversion would increase the operating costs of such vessels and make them less competitive. The option of commencing fishing trips from San Diego, after unloading at Pan Pacific, allows such vessels to fish areas located 1,000 to 1,500 miles off the coast of Mexico at lower cost and very competitively. Some of these locations are only seven days from San Diego; the trip to Balboa, Panama, from such fishing areas is eleven days plus the travel time to and from Puerto Rican ports plus the transit costs associated with the Panama Canal. Therefore, there are competitive advantages for our members to unload and commence fishing trips from California. The removal of Pan Pacific - the only tuna canner left in California, would severly impact the membership of the ATA as well as the hundreds of small tuna vessels (albacore and bluefin) operating from ports of California, Oregon and Washington.

2. Likely Cause Closure in the Operation of Tuna Canners in Puerto Rico.

The three (3) tuna canners operating in Puerto Rico are presently sustaining serious financial injury from the competition orginating from Thailand, Indonesia and the Philippines. On page 2-23 of the USITC Report 2339 (December 1990), entitled "Tuna:

Competitive Conditions Affecting the U.S. and European Tuna Industries in Domestic and Foreign Markets," it is reported that "Asian countries now control over 50 percent of the U.S. tuna market. On page 2-28 of such Report, it is stated:

> "Five of the six firms had overall net losses in 1989, including two for at least the third year in a row. The 1989 gross profit level decreased sharply and cash flow is down markedly from $127 Million in 1986 to approximately $50 Million in 1989.***"

The dismal financial operations of the U.S. Tuna Canners are further described on page 2-24 of such Report. This financial decline continued in 1990. Two of the five tuna canners shut down their operations in Puerto Rico. All remaining canners reduced their operations and employment at the processing plants located in Puerto Rico and California that receive fish directly from vessels.

We believe that in a competition between foreign canners located in Asia, Mexico and the Caribbean and U.S. Canners located in California and Puerto Rico, that the U.S.Tuna Canners would come out last. With the costs increasing because of the "dolphin-safe" policy, the U.S. Tuna Canners could not compete in the competition between the Asian, Mexican and Caribbean Tuna Canners. (Please see page 1-2 of the USITC Publication 2339 for an explanation of why the "dolphin safe" policy has increased costs for the U.S. Tuna Canners located in Puerto Rico and California.)

Tuna Trade Statistics:

A. Fresh or Frozen Tuna Products:

In 1990, the value of fresh or frozen tuna imports came to $339 Million, while the value of fresh or frozen tuna exports came to $45 Million.

B. Canned Tuna Products:

In 1990, the value of canned tuna imports came to $293.9 Million, while the value of canned tuna exports came to $13.2 Million.

World fishery product imports for 1990 was valued by Customs at $5,200,598,000 with the following top five countries accounting for over 53 percent of all such imports.

CANADA.....	$1,175,419,000
THAILAND.....	592,127,000
CHINA.....	399,958,000
ECUADOR.....	340,733,000
MEXICO.....	278,898,000

Clearly, with a total export trade in fishery products of only $2,800,242 the United States has a significant trade deficit in fishery products. The proposal of H.R. 1283, by including the canned tuna and tuna loin items, will increase this deficit. The remaining U.S. owned tuna firms will be subject to increasing pressure to close their plants in California and Puerto Rico and sell their assets (labels) to foreign citizens. Then, owners of the U.S. Tuna Fleet will be forced to export their production to foreign canners. Without the competitive factor available in the form of U.S. Tuna Canners located in the United States, Puerto Rico and American Samoa, the U.S. Tuna Fleet will confront difficult competitive conditions in the World of tuna. The absence of such canneries would fatally weaken the necessary political investment by the Government to continue its present leadership role in tuna conservation, dolphin protection, and in obtaining treaties or other arrangements for access to fishing grounds. Just as this Government enforces laws to maintain fair competition among firms operating within the United

States, so should this Government maintain the forces of competition among firms operating within the tuna World. This latter objective will be furthered only if trade actions maintain the canned tuna industry of this Nation.

CONCLUSION:

We strongly urge the rejection of those provisions of H.R. 1283 that add canned tuna in the duty-free provisions of the CBERA. The economic survival of the U.S. Canned Tuna Industry - its fleet and owners are at stake as well as the long-term interests of the U.S. consumer of canned tuna. The product known today as canned tuna was created in San Pedro, California, in 1903. Proposals such as those contained in H.R. 1283 risk the removal of this "American idea" to foreign shores.

August Felando, President
American Tunaboat Association
One Tuna Lane
San Diego, CA 92101-5896
Tel: 619/233-6405
Fax: 619/233-7913

Reports and Hearing Prints mentioned in ATA Statement

1. Subcomittee on Trade, Committee on Ways and Means U.S. House of Representatives

Committee Hearings:

99th Congress, 1st Session, Committee Print, WMCP 99-11, September 16, 1985, Pages 281-304

99th Congress, 2d Session, Committee Print, WMCP 99-19, May 1, 1986, pages 203-339 and pages 397-413

100th Congress, 1st Session, Committee Print WMCP 100-26, November 24, 1987, pages 71-98

2. United States International Trade Commission (USITC) Reports:

Certain Canned Tuna Fish

Report to the President on Investigation No. TA-201-53 under Section 201 of the Trade Act of 1974 USITC Publication 1558, August 1984

Competitive Conditions in the U.S. Tuna Industry

Report to the President on Investigation No. 332-224 Under Section 332 of the Tariff Act of 1930, as amended USITC Publication 1919, October 1986

Tuna: Competitive Conditions Affecting the U.S. and European Tuna Industries in Domestic and Foreign Markets.

Report to the Committee on Finance, U.S. Senate and the Committee on Way and Means, U.S. House of Representatives, on Investigation No. 332-291 Under Section 332 of the Tariff Act of 1930, as amended USITC Publication 2339, December 1990

CAMPUS OUTFITTERS INC.

April 24, 1991

Subcommittee on Trade #4
Commission on Ways and Means
U.S. House of Representatives
Rm# 1102 Longworth House Office Building
Washington D. C. 20515

Gentlemen:

We wish to express our support for House Bill #H.R. 1283 repealing the exemption of certain articles from inclusion under the C.B.E.R.A.

We are a manufacturing firm with facilities in Hamden, Ct. We do all operations possible here, but find that there are insufficient applicants to maintain a fully staffed factory.

It is vital to our continued competitiveness to be able to do a portion of our manufacturing operations in the Dominican Republic.

We are very concerned that duty should be reduced or eliminated on value added in the Caribbean Basin; and that the Caribbean Basin be included in the possible "North America Free Trade Act". Thank you.

Very truly yours,

Harvey S. Milch
Vice President of Manufacturing

P.O. BOX 9233, NEW HAVEN, CT 06533-9233 • (203) 865-1137

BEFORE THE
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

STATEMENT OF
THE GOVERNMENT
OF THE
DOMINICAN REPUBLIC
ON H.R. 1283

APRIL 29, 1991

The Government of the Dominican Republic whole-heartedly supports passage of H.R. 1283 as introduced by Congressman Gibbons on March 6, 1991. It is the view of the Dominican Republic that this bill, if enacted, would be a major step toward enabling the full potential of the Caribbean Basin Initiative (CBI) to be realized, to the mutual benefit of the United States and its neighbors in the Caribbean and Central America.

Background

The Dominican Republic has been a strong supporter of the Caribbean Basin Initiative from the beginning, regarding it as the catalyst needed to generate increased foreign exchange earnings that could be used to finance new industries and more varied agriculture in the region. The CBI is certainly one of the most significant foreign policy initiatives undertaken in the 1980's by the United States Government and its potential for fostering economic development and political stability is extremely important to Caribbean countries as well as being a key component of U.S. national security.

Unfortunately, the program has not achieved all the positive results that were intended, that is, "to promote economic revitalization and facilitate expansion of economic opportunity in the Caribbean Basin", in spite of the efforts of the public and private sectors in the United States and the now twenty-four beneficiary countries. Instead, the program has been a modest success. There are a number of reasons for this, including changing market conditions and depressed commodity prices, and especially in the case of the Dominican Republic, the loss of foreign exchange earnings from substantially-decreased sugar exports to the United States.

Loss of Foreign Exchange Earnings

Representatives of the Dominican Republic have emphasized in numerous earlier statements and appearances before the Ways and Means Committee the importance of sugar in the economy of the Dominican Republic. Historically, the sugar industry has been the nation's largest employer and the main source of the country's export earnings. From 1978-1987, sugar exports provided roughly 30 percent of the Dominican Republic's foreign

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This material is disseminated by Robert W. Johnson, 2233 Wisconsin Avenue, N.W., Suite 214, Washington, D.C. 20007, who is registered with the Department of Justice, Washington, D.C., as an agent of the Government of the Dominican Republic. This material is filed with the Department of Justice where the required registration statement is available for public inspection. Registration does not indicate approval of this material by the United States Government.

exchange, which is needed to finance the purchase of the many essential imports that cannot be produced in the Dominican Republic. (The great bulk of the manufactured items that the Dominican Republic imports are of U.S.-origin). Because of the massive cuts in the U.S. sugar quota, since January 1, 1984, the effective date of the CBI, the Dominican Republic has failed to realize over $1.25 billion in potential sales to the United States.

This is a huge sum for a developing country, and as a result, the economy of the Dominican Republic has been in a precarious position for several years: foreign debt service has been draining a large portion of the limited foreign exchange earnings, and the bilateral and commercial debt has had to be rescheduled to prevent default.

As explained below, the Dominican Republic has made valiant efforts to diversify its economy away from its traditional dependence on sugar, but a revitalization of its sugar industry would be extremely helpful in enabling the country to take full advantage of CBI, particularly the important opportunities that would be provided by enactment of H.R. 1283.

The Dominican Republic's Efforts in Support of CBI

The Dominican Republic has used its best efforts to take advantage of the benefits of the CBI. As a counterpart to the CBI, the Dominican Government implemented its own programs for development in four priority areas: industrial free zones, agroindustry, tourism and mining. In addition, the Dominican Republic rescheduled its debt in April, 1985, and has undertaken macro-structural readjustment measures in conjunction with the International Monetary Fund (IMF), including devaluing the peso. During this period of belt-tightening, the Dominican Republic has made progress in attracting new investment and expanding existing business operations.* Nevertheless, it has been an uphill battle because of the great loss in sugar production and export earnings.

It has long been the policy of the Dominican Government, even before the CBI was conceived, to encourage the development of new industries in order to diversify its external trade sector. A number of joint ventures have been initiated to use sugar cane land or pasture land for agroindustrial projects involving such articles as citrus, pineapples, and African palms. From January 1984 through December 1990, a total of 75 new agroindustrial projects were started up with investments of $200 million that have created over 20,000 new jobs. The duty exemption under the CBI has added to the attractiveness of such projects. However, the area planted in new crops is only a fraction of the lands taken out of sugar cane production.

Other new business ventures have been undertaken in tourism, as well as in industrial parks and industrial free zones in sugar cane regions. The tourism sector is becoming particularly important in the Dominican Republic and the entire Caribbean for income generation and the creation of jobs. From 90,000 visitors in 1970, the Dominican tourism industry has expanded to about 1.2 million visitors in 1990, with the result that gross income from tourism is now estimated at several times that from sugar

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* See Subcommittee on Oversight of the House Committee on Ways and Means, "Report on the Committee Delegation Mission to the Caribbean Basin and Recommendations to Improve the Effectiveness of the Caribbean Basin Initiative", Ways and Means Committee Print 100-9, 100th Cong., 1st Sess., pages 23-25 (1987).

exports. In 1990 the number of Dominicans employed in free trade zones reached a peak of 140,000. In addition, over $150 million has been invested thus far in the new enterprises established in the zones.

Although the Dominican Republic has made noteworthy progress in diversifying its economy, it is important to recognize that diversification does not happen overnight. It is an evolutionary process in which the Government must balance the loss or reduction in foreign exchange earnings and jobs in the short run against long-term advantages. For example, the loss of jobs in the sugar industry has outweighed the gain of jobs in new industries. Moreover, in many cases the new projects do not provide as much benefit to the economy as the activity they have replaced, because they do not employ any of the nation's resources except for cheap labor.

Opportunities Provided by H.R. 1283

H.R. 1283, however, could be one of the keys to unlock the door to sustained economic growth in the Dominican Republic and other Caribbean Basin countries. The bill, as introduced, would eliminate the exclusions for a variety of articles. Such action would be very important to the Caribbean Basin countries' economies if the products could be exported duty-free to the United States. Those products currently excluded which would become eligible for duty-free entry under CBI if the bill were to become law are, as follows:

-Textile and apparel articles
-Footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel
-Tuna
-Petroleum, or any product derived from petroleum
-Watches and watch parts

Although it was originally contemplated that these products would be duty-free when the Caribbean Basin Initiative was being drafted, they were excluded from operation of the law passed in 1983 because the corresponding U.S. industries were regarded as "import sensitive".

The Government of the Dominican Republic believes that extending duty-free treatment to the above-described articles would provide significant benefits to its economy and throughout the Caribbean without having any adverse impact on industries in the United States. The current exclusion for textile and apparel articles illustrates this point.

The textile and apparel industry began to grow in the Dominican Republic about twenty years ago, with the establishment of assembly operations in industrial free zones. Plants in these zones are now important in production-sharing operations with U.S. companies, receiving cut-to-be-sewn apparel parts from the United States, stitching the parts together in facilities in the free zones, and shipping the completed articles back to the United States. Such operations do not harm the U.S. industry, but rather are a vital part of the U.S. industry, allowing it to be competitive with Far Eastern suppliers. This key fact was recognized by the Congress when it extended duty-free treatment to the products of such operations in 1990, in passing the Caribbean Basin Economic Recovery Expansion Act (Pub.L. 101-382).

The Government of the Dominican Republic submits that extending duty-free treatment to the still-excluded textile and apparel articles would not harm U.S. industries because Caribbean exports of textiles and apparel articles are tiny in comparison with those from Far Eastern sources. Moreover, growth in exports from Caribbean countries to the United States is directly

controlled by quotas under the Multi-Fiber Arrangement. Under such circumstances duties are an unnecessary control mechanism and an unwarranted expense for U.S. importers and Caribbean exporters. Eliminating the duty on textile and apparel exports, as H.R. 1283 would do, would be a marked stimulus to industries in the Dominican Republic and would enable plants in the Dominican Republic, and their frequent partners in the United States, to compete more effectively with suppliers from the Far East.

The above is similarly true, the Government of the Dominican Republic believes, for the other products currently excluded from duty-free entry. Removal of the duties on such articles would not harm U.S. producers, but would help Caribbean suppliers significantly.

Conclusion

Passage of H.R. 1283 would be very effective in stimulating new economic growth in the Dominican Republic and throughout the Caribbean. Fundamentally, what the Dominican Republic needs is to preserve its traditional industries, such as sugar, while expanding into new fields. This is the only way the country can generate the savings required to capitalize the new industries. Hopefully, the Dominican Republic's sugar industry can rebound or other sources of funds can be found to finance the economic expansion. Then the promise of the Caribbean Basin Initiative can be fulfilled.

For these reasons, the Government of the Dominican Republic supports prompt passage and enactment of H.R. 1283.

STATEMENT OF THE FOOTWEAR INDUSTRIES OF AMERICA, INC.
IN OPPOSITION TO H.R. 1283, TO REPEAL THE CBI
EXEMPTION FOR FOOTWEAR

TO THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS

APRIL 29, 1991

I. INTRODUCTION

This statement is presented on behalf of Footwear Industries of America, Inc. (FIA), a trade association that represents domestic manufacturers and distributors of nonrubber footwear, and a substantial portion of their suppliers. The domestic nonrubber footwear industry is located in 38 states where it operates in over 450 footwear manufacturing establishments.

FIA is opposed to H.R. 1283, legislation introduced by Chairman Gibbons and other members of the Subcommittee, to repeal the CBI duty-free exemption for footwear and the other CBI-exempt products. FIA has consistently opposed efforts to revoke in part or in whole the CBI footwear exemption. Allowing duty-free treatment on CBI origin footwear would cause great damage to the domestic footwear industry's struggle for survival.

Given the recent and decisive actions taken in both the House and Senate to preserve the CBI footwear exemption, FIA does not understand the reasoning behind the introduction of H.R. 1283. Moreover, it is cruelly unfair to the industry to create yet again the uncertainty in the marketplace that this legislation will cause.

FIA also objects to the procedure under which this bill was put out for comment. H.R. 1283 should not be included among miscellaneous tariff and trade bills that are intended to be non-controversial. H.R. 1283 is a major piece of trade legislation that has profound policy implications, and it is extremely controversial. As such, it should be free standing legislation and the subject of separate hearings. The sections that follow below illustrate why FIA and the Congress should continue to oppose duty-free treatment of CBI-origin footwear.

II. IMPORTS OF NONRUBBER FOOTWEAR HAVE GROWN DRAMATICALLY

Imports of nonrubber footwear have steadily increased over the past two decades. In 1968 imports totalled 175 million pairs; in 1978 imports totalled 374 million pairs; and in 1988 imports totalled 903 million pairs. Imports have thus increased more than five-fold over this period. This import growth has affected all types of nonrubber footwear, and across all value brackets.

While total imports declined slightly in 1987-89, they again exhibited an increase in 1990, rising to 898 million pairs. The effect has been an increase in the market share of imports, to 83 percent in 1990. Just ten years ago, in 1980, the market share of imports was 50 percent.

In value terms, nonrubber footwear imports have grown from $2.3 billion in 1980 to $8.4 billion in 1990 -- an increase of 265 percent. In 1990 alone the U.S. trade deficit in nonrubber footwear amounted to $8.2 billion.

III. CARIBBEAN IMPORTS WILL BE IN ADDITION TO EXISTING LEVELS

The effect of removing tariffs on Caribbean footwear will be to increase the price-competitiveness of Caribbean footwear

as compared to U.S.-produced shoes. It follows that more Caribbean footwear will enter the U.S. market than has been the case historically. These new imports will not displace imports from other suppliers, rather, actual footwear import trends provide evidence that imports from new footwear suppliers come in addition to imports from existing suppliers, with the net result being an increase in total footwear imports. Our industry's experience with new suppliers is described below.

In 1969 there were only a handful of major foreign suppliers of footwear[1] to the U.S. market. Among these were Italy, Taiwan, and Spain. By 1979, important new suppliers, Brazil and Korea, appeared on the scene. Imports from these two countries amounted to nearly 100 million pairs in 1979, whereas their imports in 1969 were only about 3 million pairs. While imports from these two new countries were increasing dramatically, imports from Italy, Taiwan, and Spain did not decline. In fact, imports from Italy, Taiwan, and Spain increased 61 percent, 431 percent, and 39 percent, respectively. Total footwear imports more than doubled between 1969 and 1979.

This experience was repeated between 1979 and 1989. By 1989 major new suppliers, China and Thailand, had begun shipping large quantities of footwear to the U.S. Imports from these two countries grew from only 10 million pairs in 1979 to over 260 million pairs in 1989. Meanwhile, imports from Brazil continued to increase -- by over 250 percent -- and imports from Korea continued to increase -- by over 210 percent. Again, total U.S. footwear imports doubled over the 10-year period.

IV. THE IMPACT OF IMPORTS ON THE DOMESTIC INDUSTRY

The domestic industry has suffered greatly as a result of the imports that have flooded the U.S. market. While in 1980 the domestic industry still commanded a 50.5 percent share of its own market, its share has been shrinking continuously to a meager 17.1 percent in 1990.

The table attached to this statement provides selected economic indicators for the U.S. industry. The data portray the devastating effect imports have had:

o Domestic production has fallen 48 percent between 1980 and 1990. Since 1970, domestic production has fallen in all but three years.

o U.S. workers have borne the brunt of the burden: total employment is now 72,000, roughly half of the level of employment in 1980.

o Since 1980 nearly 500 footwear plants have closed. The survival of this industry depends to a large degree on the maintenance of current tariff levels on imports from all supplying countries.

Further evidence of the injury suffered by the U.S. industry is found in the numerous trade actions it has been forced to take. Four Section 201 cases have been filed, two of them initiated by Congress, and one Section 203 case was filed. In many of these trade actions the U.S. Government found that injury had indeed occurred as a result of imports, and one case led to the establishment of four-year Orderly Marketing Arrangements with Taiwan and Korea.

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[1]"Footwear," as used in this section, encompasses both nonrubber footwear and rubber/fabric footwear.

Injury resulting from subsidization of foreign footwear industries has also been a problem. Cases were filed against eight countries, and our Government found subsidies to exist in all of these countries.

Total elimination of the tariffs on Caribbean imports would have a detrimental effect on the U.S. industry. The overwhelming market share already held by imports has an effect on this type of analysis. In 1988, for example, imports held roughly 80 percent of the U.S. market. This means that even a small percentage increase in imports in the relatively fixed total U.S. market causes a greater percentage reduction in domestic shipments. For example, a 1 percent increase in the quantity of total imports would result in a 4 percent decrease in domestic shipments.

V. U.S. FOOTWEAR PRODUCERS ARE MAKING A MAJOR CONTRIBUTION TO ECONOMIC DEVELOPMENT IN THE CARIBBEAN THROUGH THE PRODUCTION OF MILLIONS OF PAIRS OF FOOTWEAR UPPERS

The U.S. footwear industry has already made a direct financial investment in the Caribbean and a substantial contribution to the creation of thousands of footwear jobs there. These footwear jobs are concentrated in the production of footwear uppers, the most labor intensive part of shoe manufacturing. Around two-dozen U.S. firms have set up plants or are sourcing from contractors in the Dominican Republic alone.

The production of footwear uppers is a booming business in the Caribbean. In fact, the Dominican Republic is the largest single supplier of footwear uppers to the U.S. market. In 1990, almost 27.5 million pairs of uppers were imported from the Dominican Republic, alone. These uppers are bottomed in Puerto Rico and at locations throughout the United States. According to some estimates, more than 40,000 workers are at work sewing uppers in the Dominican Republic. These are jobs that used to be in the United States.

It should also be noted that with the addition of new section 222 provisions to the CBI program, investment and production in the Caribbean footwear industry are likely to grow at a healthy pace. In combination with the already substantial production of footwear uppers that is occurring in the region, new section 222 virtually guarantees that footwear will continue to be a major growth area for the region. Thus, if the development of the Caribbean footwear industry is the goal of H.R. 1283, it has already been accomplished.

VI. CONCLUSION

On behalf of the domestic footwear industry, FIA urges the Subcommittee to reject H.R. 1283. Given the rapid development of the footwear industry in the Caribbean and positive contribution that has been made and continues to be made by U.S. footwear producers to this development, H.R. 1283 is unnecessary. Moreover, since Congress spoke decisively on the issue of retaining full duty rates for CBI-origin footwear in the last Congress, there is little reason for revisiting this issue again. To do so would create great uncertainty in the marketplace and great concern in the domestic footwear industry.

U.S. NONRUBBER FOOTWEAR INDUSTRY:
SELECTED ECONOMIC INDICATORS

I. Domestic Production (million pairs)

1980	386.3
1982	359.1
1984	303.7
1986	240.9
1988	234.8
1990	200.1

Percent change 1980-1990: -48%

II. Total U.S. Imports (million pairs)

1980	365.7
1982	479.4
1984	725.7
1986	940.8
1988	903.1
1990	897.5

Percent change 1980-1990: +145%

III. Import Penetration (percent)

1980	49.5
1982	57.8
1984	71.1
1986	80.2
1988	80.5
1990	82.9

Arithmetic difference 1980-1990: +33.4 percentage points

IV. U.S. Employment (all employees, in thousands)

1980	143.6
1982	135.1
1984	114.7
1986	88.5
1988	82.6
1990	72.0

Percent change 1980-1990: -50%

V. Plant Closings

1980	26
1982	33
1984	104
1986	70
1988	24
1990	47

Total for the years 1980-1990: 488
(Note: plant openings during this time number approximately 110.)

Sources: Footwear Industries of America, "Footwear Manual," October 1990, and other statistical reports; U.S. Department of Commerce trade data.

[BY PERMISSION OF THE CHAIRMAN]

MINISTRY OF INDUSTRY AND COMMERCE
4 WINCHESTER ROAD,
P.O. BOX 891,
KINGSTON, JAMAICA

ANY REPLY OR SUBSEQUENT REFERENCE TO THIS COMMUNICATION SHOULD BE ADDRESSED TO THE PERMANENT SECRETARY AND THE FOLLOWING REFERENCE QUOTED:-

RECEIVED
MAY
COMMITTEE ON TRADE

No._____ April 8, 1991

The Honourable Sam Gibbons
Chairman, House Ways and Means Sub-Committee on Trade
United States House of Representatives
Washington D.C. 20515
USA

Dear Mr. Chairman

As a member of the Caribbean region and a beneficiary of the Caribbean Basin Initiative, Jamaica has had a long and close political and economic relationship with the United States. Since the election of Prime Minister Manley in 1989, U.S.-Jamaican relations have reached a new level of positive cooperation. With the passage of CBI II, our economic ties were expanded even further.

In this regard, I would like to thank you for introducing H.R. 1283, "To amend the Caribbean Basin Economic Recovery Act to repeal the provisions exempting certain articles from duty-free treatment under the Act." Clearly, the first and foremost benefit of CBI II is the permanent extension of special trade privileges and duty-free access for many Caribbean exports to the U.S. In particular, the new provision that allows Caribbean-manufactured footwear to be exported to the U.S. duty-free, has created a strong incentive for investors to create labour-intensive manufacturing operations in Jamaica. The footwear exemption embodies the original goal of the Caribbean Basin Initiative to create jobs and economic expansion for the region.

In fact, as I know you are aware, the CBI has worked to our mutual advantage, since increased export earnings have meant increased purchasing power for CBI countries, and consequently a substantial increase in U.S. exports to the region. More specifically with regard to footwear, by providing duty-free treatment for footwear of U.S.-originating material, the Bill ensures that the U.S. will maintain the competitiveness of its processing/manufacturing facilities while taking advantage of prevailing wage rates in Basin countries such as Jamaica.

The Honourable Sam Gibbons
Chairman, House Ways and Means Sub-Committee on Trade

April 8, 1991

Jamaica stands to gain a great deal from future investments in the footwear manufacturing industry. This is an infant industry in the Caribbean which deserves special tariff treatment for the potential investment it will generate and because rubber-soled shoes are not produced in the U.S.

Unfortunately, we are deeply concerned about the lingering restrictions on many of our other products. Textiles, footwear, tobacco, and ethanol are four major products and commodities which the Caribbean exports to the U.S. without significant displacement of American products. Indeed, in the case of footwear, it is likely that an expansion of imports from CBI countries would displace Asian production, not American. Yet, protectionist forces have argued against expansion with little attention to realistic trade figures.

We in Jamaica, who would benefit from expanded trade, want to help persuade the protectionists by factual trade data which support the extension of duty-free access to these products. We are committed to help you secure the necessary support for this legislation. Jamaica is also committed to equitable economic growth for all our citizens. For this reason, job-creating industries such as footwear manufacturing are the life-line of our development.

Thank you for your continuing friendship and support.

Yours sincerely

HUGH SMALL, Q.C., M.P.
Minister

April 26, 1991

Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

Jinwoong, Inc. is a manufacturer and importer of a wide range of leisure goods, from camping tents and backpacks to golf equipment. Our factories are located worldwide including the Caribbean. We are aware of pending legislation affecting the status of many articles previously excluded from duty-free treatment under the Caribbean Basin Economic Recovery Act. This letter is intended as a means of showing support for Bill # H.R. 1283.

Many of the Caribbean countries that fall within the scope of the Caribbean Basin Economic Recovery Act are under-developed countries. Those countries affected by CBI are fast becoming a major manufacturing source for textile and apparel goods as well as other articles. In order for these countries to compete in the U.S. marketplace, we must provide some kind of incentive such as duty-free treatment. Considering all of the press the North American Free Trade Act has been receiving lately, it would seem logical to extend duty-free treatment to our Caribbean neighbors as well.

Our economy is on the up-swing at this time, however, consumers are still being extremely cautious. Duty-free status from the Caribbean countries would ensure quality goods at a reasonable price. Additionally, this would mean more workers being employed within our domestic distribution network. The increased cost associated with dutiable goods only serves to make the item more expensive to the end consumer. In these uncertain times we must take into account not only the concept of competitive trade, but what it will mean to our domestic economy as well.

Sincerely,

Sue Dickson
Import/Export Manager

JINWOONG INC
254 E. Hacienda Ave. • Campbell, CA 95008 U.S.A. • (408) 374-6900 • FAX (408) 374-6906

Luggage and Leather Goods
Manufacturers of America, Inc.
350 Fifth Avenue • Suite 2624
New York, New York 10118
212/695-2340
FAX: 212/643-8021

STATEMENT OF THE LUGGAGE AND LEATHER GOODS MANUFACTURERS OF AMERICA, INC.

IN OPPOSITION TO
HR 1283, TO REPEAL THE CBI DUTY-FREE EXEMPTION OF CERTAIN LEATHER-RELATED PRODUCTS

TO THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS

APRIL 29, 1991

This statement is submitted by the Luggage and Leather Goods Manufacturers of America, Inc. ("LLGMA"). The LLGMA is an association whose several hundred member companies represent the luggage and flat goods industry in the United States and its suppliers. Products made by LLGMA members are made from a variety of materials, including textiles, leather, plastic and vinyl. LLGMA member companies account for the vast majority of all sales of luggage, business cases, and flat goods in the United States. The LLGMA opposes HR 1283, introduced by Chairman Gibbons to repeal the current CBI exemptions for textile and leather-related products.

This opposition is based primarily on the adverse impact that such legislation can be expected to have on the domestic industry. This industry is already import-sensitive as a result of a decade of rapid import growth, which caused significant losses of production and employment. While most of this import growth has been and continues to be from Far East suppliers, the Caribbean has the potential to become a major supplier with unlimited growth potential.

This legislation represents the third attempt in less than 10 years to give the Caribbean one-way duty benefits on their luggage and flat goods exports to the United States. Our industry has fought this battle twice before over a period of many years, and now we will be forced to fight it once again. This is not only unfair, but it creates major anxiety and uncertainty in the industry, and confusion in the U.S. market. This is hardly a matter the industry takes lightly. Decisions to invest in plant and equipment or to source off shore turn on legislation such as HR 1283. The matter of preferential access to the U.S. market on luggage and flat goods has been decided twice before. It should remain decided. This issue does not need to be revisited yet again.

The import sensitivity of textile luggage and flat goods is demonstrated by the numerous bilateral textile restraints in effect on these items (see attachment A.) Leather-related luggage and flat goods are similarly import impacted. Imports of luggage and flat goods are estimated to have around two-thirds and one-half of the U.S. market, respectively. Given these extraordinary import penetration rates, the last thing these industries need is for our Government to be offering duty incentives to new suppliers.

This legislation, which is designed to open up the U.S. market even wider to CBI imports of flat goods and luggage, comes at a time when this industry in being adversely affected by the slowdown in the U.S. economy. As shown in Table 1 attached, employment in 1990 has fallen significantly, after holding steady in 1989. The steady employment in 1989 was a

rare and welcome respite from the steady attrition that had affected the industry during the previous decade.

This stable condition in 1989 had resulted from the impact of the decline in the U.S. dollar and the belated, but finally significant, impact of the bilateral restraints on textile luggage imports from the PRC. However, the downturn in the economy in 1990 and extending into this year has prevented the industry from gaining from the modest pause in increases in imports. At the same time, imports of luggage and flat goods resumed an upward trend, increasing by 6% in 1990 and exceeding $1.3 billion.

The relative progress in moderating import-related attrition in the 1988-1989 period would be undercut by opening up the U.S. market on preferential terms to another very low-wage supplier. Moreover, it would hamper the ability of the industry to cope with the poor economic conditions it now faces.

Sufficient data are not available to generate price elasticities necessary to quantify with some precision the impact of complete duty elimination for Caribbean imports. Two points are clear, however. First, the industry firmly believes that increases in imports from the Caribbean would occur, and these imports would come on top of, rather than as a substitute for, imports from other sources.

Second, the trends in the unit values of imports and import quantities suggest a significant sensitivity to price. Table 2 provides a series of the average unit value of imports of man-made fiber luggage from 1982 to 1988, along with a domestic price index for luggage. Man-made fiber luggage has been by far the largest import item during this period and was thus deemed appropriate as a measure of the price sensitivity of imported soft-sided luggage.

The ratio of imports to domestic price shown in Table 2 shows a decline in the relative import price from 1982 to 1984 of 13.6%. From 1984 to 1986 the relative import price fell further, by 3.8%. From 1986 to 1988, the relative import price rose by 21.4%.

A comparison of these relative import price changes with the trends in imports of soft-sided luggage suggests a significant price elasticity. Lagging the imports by one year to allow price changes to work through the market reveals the following comparisons:

Change in the Ratio of Import to Domestic Prices	Change in the Value of Imports
1982-1984: -13.6%	1983-1985: +45.6%
1984-1986: -3.8%	1985-1987: +36.4%
1986-1988: +21.4%	1987-1989: +9.6%

There is an obvious correlation between the relative price and the rate of growth of imports. The greater the relative price decline, the greater the percent increase in imports. From this information, it is reasonable to assert that the elimination of duties on imports from a significant import supplier would induce a significant increase in imports.

The loss of production, profitability, and employment that these data suggest are of concern to the industry. As a result, the LLGMA is opposed to the elimination of exemptions for textile and leather-related products under the CBI.

Our industry was required to make a substantial contribution to the Caribbean last year when duties were reduced on leather-related products by 20 percent. Our industry is reeling from this and other trade initiatives. Now is clearly not the time to be considering additional preferences for Caribbean countries, particularly when such preferential treatment is not a two-way street.

H.R. 1283 is highly controversial. LLGMA believes that the Ways and Means Committee should hold separate hearings on this bill if it decides further action is appropriate. LLGMA would request the opportunity to appear at such a hearing to make its case directly to the Committee.

ATTACHMENT A

1991 QUOTAS ON TEXTILE LUGGAGE AND FLAT GOODS

Country	Product	Quota* (Jan. 1-Dec. 31, 1991)	Swing/Shift Provisions**
TAIWAN	Man-Made Fiber, Cotton, and Jute Luggage 1/2/3/	41,820,000 kilograms (92,197,318 pounds)	Swing of 5%
KOREA	Man-Made Fiber, Cotton, and Jute Luggage 1/2/3/	15,825,534 kilograms (34,889,330 pounds)	Swing of 7%
CHINA	Man-Made Fiber Luggage 1/	13,265,973 kilograms (29,246,464 pounds)	Swing from another category of 5%
	Cotton Luggage 2/	2,625,449 kilograms (5,788,124 pounds)	Swing from another category of 5%
MEXICO	Man-Made Fiber Luggage, Flat Goods, and Handbags 1/4/	3,000,000 kilograms (6,613,868 pounds)	none
SINGAPORE	Man-Made Fiber Luggage, Flat Goods, and Handbags 1/4/	453,592 kilograms (1,000,000 pounds)	none
MACAU	Man-Made Fiber Luggage, Flat Goods, and Handbags 1/4/	340,194 kilograms (750,000 pounds)	none

FOOTNOTES

* Beginning 1/1/89 quotas are measured in terms of kilograms; the equivalent number of pounds is shown for reference only.

** Note that swing/shift calculations are made on the "base" quota level of the receiving product. For example, if the luggage quota is allowed a shift from the handbag quota of 10 percent, the shift is calculated as 10 percent of the base luggage quota. The shifts are not permanent; they do not carry over the following year.

1/ Covers the following man-made fiber luggage Harmonized Tariff Schedule (HTS) items: 4202.12.80.30, 4202.12.80.70, 4202.92.30.20, 4202.92.30.30, and 4202.92.90.20.

2/ Covers cotton luggage in the following HTS items: 4202.12.40.00, 4202.12.80.20, 4202.12.80.60, 4202.92.15.00, 4202.92.30.15, and 4202.92.60.00.

3/ Covers vegetable fiber luggage, other than cotton, in the following HTS items: 4202.12.60.00, 4202.12.80.40, 4202.12.80.80, 4202.92.20.00, 4202.92.30.40, and 4202.92.90.30.

4/ Covers man-made fiber flat goods in HTS item 4202.32.95.50.

Table 1

EMPLOYMENT IN THE LUGGAGE, BUSINESS CASE, AND FLAT GOODS INDUSTRIES, 1988-1990
(number of employees)

	Luggage and Business Cases (SIC 316)	Flat Goods (SIC 3172)
1988	11,700	9,000
1989	11,700	9,000
1990 (E)	10,300[1]	8,700[2]

[1] Based on employment levels as of October 1990 from Employment and Earnings, Bureau of Labor Statistics.

[2] Based on unpublished data for August 1990 from the Bureau of Labor Statistics for SIC 3172.

Table 2

AVERAGE UNIT VALUE OF LUGGAGE IMPORTS, THE WHOLESALE PRICE OF LUGGAGE, AND THE RATIO OF IMPORT PRICE TO DOMESTIC PRICE, 1982-1988

(1982 = 100)

	Average Unit Import Value[1/]	Wholesale Price[2/]	Ratio of Import To Domestic Price
1982	100.0	100.0	100.0
1983	94.5	102.4	92.3
1984	92.4	106.9	86.4
1985	98.3	111.3	88.3
1986	92.0	110.7	83.1
1987	109.7	111.8	98.1
1988	119.0	117.9	100.9

1/ Calculated from U.S. Department of Commerce data on quantity and value (f.o.b. foreign port) of imports of man-made fiber luggage.

2/ Wholesale price index for luggage and small leather goods, series WPU04441, from the Bureau of Labor Statistics, U.S. Department of Labor.

JOHN JOSEPH MOAKLEY
9TH DISTRICT, MASSACHUSETTS

DEPUTY WHIP

COMMITTEE ON RULES
CHAIRMAN

Congress of the United States
House of Representatives
Washington, DC 20515

March 20, 1991

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The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
1136 Longworth HOB
Washington, D.C. 20515

Dear Mr. Chariman

This letter is written in response to the Subcommittee on Trade's Press Release #4, which requests written comment on certain tariff and trade bills by April 29. We were quite surprised to note that among these miscellaneous tariff and trade bills was legislation you have introduced, H.R. 1283, which would repeal the current CBI duty-free exemptions for exceptions for several products, including footwear.

Lest there be any question in mind, we remain unalterably opposed to eliminating the CBI duty exemption for footwear. We will continue to support the maintenance of full duty rates for CBI-origin footwear with much the same commitment as we did in the last Congress.

Your efforts to bring economic stability to the Caribbean region through CBI I and II are highly commendable. This was an effort well worth undertaking, and you have successfully championed the cause of the region in the U.S. Congress. However, from the very beginning of the CBI program and through its renewal in the last year, it was readily apparent that Congress wanted to strike a balance between the needs of the region and those at home. Thus, we exempted a handful of extremely import-sensitive products from the one-way duty-free benefits of the CBI.

We both appreciate your willingness to accommodate this balance when you agreed to strike leather footwear from the Committee's CBI II bill, and, subsequently, all other footwear before the bill reached the House floor in the last Congress. Under the circumstances, it is our view that there is no reason for the House to revisit this issue, yet again, or to give the region false hope that the footwear exemption will be revoked. This position is reinforced by the decisive Senate vote taken late last session on an amendment to partially repeal the CBI footwear exemption: The amendment was defeated two to one. We hope you will reconsider your support of this legislation, which, if it goes forward, we will be forced to oppose.

Sincerely,

JOHN JOSEPH MOAKLEY
Member of Congress

DON SUNDQUIST
Member of Congress

Comments of the Rubber and Plastic Footwear Manufacturers Association on HR 1283, the Proposed Amendment to the Caribbean Basin Economic Recovery Act.

The Rubber and Plastic Footwear Manufacturers Association (RPFMA) is the spokesman for manufacturers of most of the waterproof footwear and rubber-soled, fabric-upper footwear produced in this country. The names and locations of the manufacturers appear on Appendix I.

The RPFMA is opposed to HR 1283 insofar as that bill repeals Section 213 of the Caribbean Basin Economic Recovery Act as applicable to rubber footwear.

Ever since the original enactment of the Caribbean Basin Economic Recovery Act, the products of the rubber footwear industry have been exempted from duty-free treatment when coming from Caribbean nations. This exemption was accorded after due consideration by the Ways and Means Committee and has remained in effect through the years despite frequent efforts at repeal. While it is true that the most recent version of the Act contains a provision permitting duty-free entry of footwear from the Caribbean made of 100% American components, that provision was not subjected to public debate and was adopted into law as a result of a compromise reached with the Senate in the course of a Conference Committee deliberation. There is currently pending in the Congress a bill (HR 1385) which would repeal that duty-free provision.

The circumstances which warranted the exemption of footwear from CBI duty-free treatment are at least as persuasive today as was the case when the exemption was originally adopted and was the case each time the exemption has been reconsidered.

The discussion which follows up-dates previous arguments made to this Committee in connection with the CBI in behalf of the domestic rubber footwear industry.

The duty rates on most waterproof footwear are at 25% or 37.5%, and on most fabric-upper footwear they range from 20% to approximately 65%. The import-related problems of this industry have been investigated, analyzed, and reported on by the Congress and by innumerable Government agencies, with the invariable result that the Government agreed that there should be no cut in duty.

In the course of both the Tokyo and Kennedy GATT Rounds, the industry successfully argued that any duty reduction in its products would endanger its survival. The fact that in 1990 imports of fabric-upper footwear took 74% of the American market and the imports of waterproof footwear 37% are ample demonstration that the duties on these products are not "protective".

Attached as Appendices II and III are tables showing the history of domestic production, exports, imports, consumption, and import penetration for fabric-upper, rubber-soled footwear and for waterproof footwear.[1] These tables demonstrate that the share of the market held by imports is greater today than it was during both the Kennedy and Tokyo Rounds, when the Government concluded that import penetration was at too high a level to warrant duty cuts. Similarly, after careful investigation, the Government concluded that all rubber footwear products should be exempted from GSP treatment.

The shrinkage of the domestic industry has also caused the Government to accept the view that what is left should be preserved, if possible. Thus, in 1981, the Department of Defense examined the capability of domestic waterproof manufacturers to meet mobilization requirements and concluded that "...loss of one or two of our current major suppliers would seriously jeopardize

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[1]The figures for waterproof do not go back as far as those for fabric-upper footwear because the Government did not publish figures for the waterproof segment of the industry prior to 1973.

our ability to meet military requirements under surge/ mobilization conditions." In 1983, the Department of Defense reexamined the industry and concluded that "...the domestic capacity would be insufficient to satisfy all of the military departments' requirements in a surge or mobilization situation. It was also found that, if we lose one or two of the major domestic suppliers, it would jeopardize our peacetime supply capability." And as recently as April, 1988, a Defense Department report discussed the problem of obtaining certain specialized waterproof boots and concluded that "...this industry segment has been severely affected by imported goods which are produced by labor pools with much lower pay scales than are prevalent in this country." This report also stated that "...foreign market penetration has made finding domestic producers very difficult."

In 1981 the Department of Commerce issued a report on domestic and import competition in the rubber footwear industry, and noted the steady decline in domestic shipments and the steady increase in imports of rubber-soled footwear with fabric-uppers between 1964 and 1980.

The effect of the industry's shrinkage on employment is shown on Appendix IV. Seventeen years ago this industry employed 26,300 production workers. By 1980, the last year covered by the Commerce Department's report, employment had fallen to 19,800. The figure for 1990 is 8,800. The industry's employment today is lower than it was during either the Kennedy Round or the Tokyo Round. The arguments we made during those multilateral negotiations were proven valid then and are even more valid now, both with respect to the world in general and to the Caribbean Basin in particular.

Rubber footwear is a labor-intensive industry, some 90% of whose import competition currently comes from the low-wage countries of the Far East. Attached hereto as Appendices V and VI are print-outs, by country of origin, of rubber footwear imports for each of the past three years. What is significant about this table is the change in the manufacturing sites for rubber footwear imports based on where the cost of production is the lowest. During the Kennedy Round, some 70% of imports were from Japan. As Japanese wages rose, our foreign competitors shifted first to Korea then to Taiwan. Over the past several years, the Peoples Republic of China has developed a rubber footwear industry, products of which are now entering this country in large numbers. More recently, production has been shifting to such Pacific Rim countries as Thailand and Indonesia.

Rubber footwear is a relatively unsophisticated product to manufacture. There is no reason, given the proximity to the United States, Caribbean countries could not successfully compete with countries such as Thailand at the duty rates importers from that country must pay. When we suggested this to Caribbean spokesmen in the course of the 1987 debate on amending the Caribbean Basin Initiative, we were informed that the cost of shipping from the Caribbean to the United States is greater than it is for the much longer distance from the Pacific. If indeed this is accurate, should not the Congress be examining the problem of shipping rates rather than duty rates?

A dramatic example of the import problems faced by rubber footwear is what has happened to the industry's largest survivor, Converse. At one time Converse had eight plants in Rhode Island, Massachusetts, New Hampshire, Maine, North Carolina, and Puerto Rico. At the height of its operation, Converse employed over 9,500 people. Its plant in Rhode Island and two plants in Massachusetts closed in 1977, its plant in New Hampshire closed in 1979, and its two plants in Maine closed in 1979 and 1984. In each case, the company concluded that it could not manufacture its footwear on a basis which would permit it to compete against

the extraordinarily low-cost competition from Taiwan and Korea. Today Converse's athletic footwear is manufactured only in North Carolina and its employment is now less than 2,000. This employment would be seriously threatened if the industry were faced with large-scale, low-cost, duty-free competition from the Caribbean.

Those companies which have survived and which market both fabric-upper and leather-upper footwear (Converse is a leading example) find that they can manufacture their fabric footwear in their domestic plants, but must import the bulk of their leather footwear. This is entirely a result of the difference in duty levels between leather-upper and fabric-upper shoes. If the Caribbean Basin nations were to be given preferential duty treatment on rubber footwear, a company like Converse would have little choice other than to import such footwear from the Caribbean rather than produce it domestically.

It should be noted that the industry has already made a significant contribution to the economies of the Caribbean countries, inasmuch as a large and growing volume of fabric footwear uppers are stitched in and imported from countries in the Caribbean Basin. Consider the following extract from a Dominican Republic press release:

> "Data for the first eight months of 1988 show that exports of two footwear components alone (leather and cotton shoe uppers) were valued at $50.1 million, and reached a volume roughly triple the figure of 1985. Also, the footwear industry here is beginning to "mature" and diversify into the production of complete shoes.
>
> In most cases, the companies perform the labor-intensive hand sewing of shoe uppers in the Dominican Republic to take advantage of the competitive wages (the minimum wage is US$0.41 per hour, and US$0.60 includes fringe benefits). The shoes are then "bottomed" in the nearby U.S. for distribution. The production sharing arrangement with Puerto Rico allows eligible companies to qualify for 100% U.S. federal tax exemption, 90% Puerto Rico tax exemption, and quota free access to the U.S. market.
>
> Shipments of leather uppers (TSUS 79127) in the first eight months of 1988, for example, were valued at $37,8 million. This was 27.3% higher than the same period in 1987, when total shipments of this item were valued at $49.8 million.
>
> Production of cotton uppers (TSUS 38652) grew at an even more dynamic rate. By the first eight months of 1988, they had already reached $12.3 million, 61.8% higher than the figure for the similar period in 1987 (total shipments that year were valued at $13.2 million)."

We find it difficult to believe that our national interest would be well served by the elimination of jobs in this country. The fact is, however, that the enactment of HR 1283 would result in the shifting of domestic rubber footwear production from the United States to the Caribbean, domestic plants would be closed, and domestic jobs would be lost. It is for these reasons that the RPFMA urges the continued exemption of footwear, and most particularly rubber footwear, from duty-free treatment for Caribbean Basin countries.

Mitchell B. Cooper

Mitchell B. Cooper
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(202) 331-1858

Counsel to the Rubber and
Plastic Footwear
Manufacturers Association

April 24, 1991

APPENDIX I

RUBBER AND PLASTIC FOOTWEAR MANUFACTURERS ASSOCIATION
(April, 1991)

Converse, Inc.
One Fordham Road
North Reading, MA 01864

Draper Knitting Co., Inc.
28 Draper Lane
Canton, MA 02134

Endicott Johnson
1100 East Main Street
Endicott, NY 13760

Frank C. Meyer Co.
585 South Union Street
Lawrence, MA 01843

Franklin Plastics
113 Prosaic Avenue
Kearney, NJ 07032

Genfoot America, Inc.
The Old South Building
11th Floor
294 Washington Street
Boston, MA 20108-4675

Kaysam Corporation of America
27 Kentucky Avenue
Paterson, NJ 07503-2597

Kaufman Footwear Corporation
700 Alicott Street
Batavia, NY 14020

LaCrosse Footwear, Inc.
P.O. Box 1328
LaCrosse, WI 54602-1328

New Balance Athletic Shoe, Inc.
38 Everett Street
Allston, MA 02134

Servus Rubber Co., Inc.
P.O. Box 39
Rock Island, IL 61204-0026

Tingley Rubber Corporation
P.O. Box 10[illegible]
S. Plainfield, NJ 07080

APPENDIX II

SHOES WITH RUBBER OR PLASTIC SOLES/FABRIC UPPERS (SIC 30210 10)
(Figures in Thousands of Pairs)

	Production	Exports	Imports	Consumption	%Imports
1990*	78,700	8,700	199,200	269,200	74.0
1989	76,800	10,000	190,100	256,900	74.0
1988	76,700	900	157,700	233,500	68.0
1987	71,000	800	119,500	189,700	63.0
1986	57,900	1,000	99,100	156,000	64.0
1985	54,900	800	84,800	138,900	61.0
1984	64,516	1,120	107,685	171,865	62.7
1983	78,054	1,203	102,662	180,019	57.0
1982	92,896	1,367	99,032	194,398	50.9
1981	95,399	1,564	137,632	231,003	59.6
1980	97,516	1,694	120,746	216,207	55.8
1979	78,130	1,223	111,390	193,381	57.6
1978	79,278	644	172,700	253,683	68.1
1977	90,417	800	106,000	196,587	53.9
1976	115,354	700	115,400	234,471	49.2
1975	131,155	600	74,100	206,376	35.9
1974	146,500	1,010	67,352	210,838	31.9
1973	143,077	29	66,291	214,837	30.9
1972	159,399	105	58,020	217,314	26.7
1971	156,489	112	62,872	219,249	28.7
1970	144,276	129	49,726	193,873	25.6
1969	142,295	195	44,463	186,563	23.8
1968	152,257	239	49,200	201,218	24.5
1967	153,656	211	44,659	198,104	22.5
1966	157,491	167	35,060	192,384	18.2
1965	165,741	195	33,363	198,909	16.8
1964	162,151	225	29,063	190,989	15.2

*: Preliminary figures

Source: Compiled from official statistics of the U.S. Department of Commerce

APPENDIX III

RUBBER & PLASTIC PROTECTIVE FOOTWEAR (SIC 30210 20)
(Figures in Thousands of Pairs)

	Production	Exports	Imports	Consumption	%Imports
1990*	15,500	800	8,700	23,400	37.0
1989	13,700	600	8,200	21,300	38.0
1988	13,800	700	8,900	22,000	40.0
1987	11,100	800	9,600	19,900	48.0
1986	12,200	500	10,700	22,400	48.0
1985	16,500	400	12,800	28,900	44.0
1984	17,734	296	16,010	32,830	48.8
1983	15,459	305	13,373	26,562	50.3
1982	13,920	386	11,103	24,611	45.1
1981	10,652	551	7,485	18,028	41.5
1980	14,473	653	7,548	21,552	35.0
1979	23,531	645	12,544	36,517	34.4
1978	28,893	514	13,444	36,130	37.2
1977	23,380	400	10,700	34,402	31.1
1976	17,261	400	9,600	26,800	35.8
1975	16,135	300	4,100	20,600	19.9

*: Preliminary figures

Official Government figures on rubber and plastic protective footwear were not compiled for years earlier than 1975.

Source: Compiled from official statistics of the U.S. Department of Commerce

APPENDIX IV

PRODUCTION EMPLOYMENT
(in thousands)

RUBBER AND PLASTIC FOOTWEAR

1973	26.3	1983	14.1
1974	25.3	1984	14.0
1975	22.3	1985	10.9
1976	21.6	1986	9.2
1977	20.9	1987	9.4
1978	21.0	1988	9.7
1979	19.9	1989	9.0
1980	19.8	1990	8.8
1981	19.0		
1982	16.2		

	1988	1989	1990	1991
January	9.8	9.0	8.8	8.6
February	10.1	9.1	8.9	8.9*
March	10.2	9.1	9.0	
April	10.1	9.0	8.9	
May	10.2	8.9	8.9	
June	9.9	9.0	8.9	
July	9.0	8.7	8.4	
August	9.5	8.2	8.9	
September	9.3	9.3	8.9	
October	9.3	9.4	8.9	
November	9.3	9.2	8.8	
December	9.2	8.9	8.7	

(*: preliminary figure)

Source: Bureau of Labor Statistics, U.S. Department of Labor

Table 7.--Fabric upper footwear with rubber or plastic soles: 1/ Quantity of U.S. imports for consumption, by principal sources, October-December 1988-90, and annual 1988-90

(In thousands of pairs)

Source	October-December--			Percentage change, Oct. - Dec. 1990 from Oct. - Dec. 1989				Percentage change, 1990 from 1989
	1988	1989	1990		1988	1989	1990	
China	17,856	22,025	19,633	- 10.9	62,362	95,251	115,502	21.3
Republic of Korea	8,438	8,426	8,001	- 5.0	40,378	33,848	34,106	0.8
Mexico	6,880	4,988	3,814	- 23.4	25,473	23,883	17,306	- 27.5
Taiwan	3,981	3,984	3,852	- 21.8	15,274	20,618	17,305	- 16.1
Thailand	644	634	1,831	62.1	3,808	3,835	5,993	56.3
Hong Kong	1,110	1,735	645	- 62.9	5,311	7,738	4,066	- 47.4
Philippines	141	165	163	- 1.2	586	518	998	92.7
Indonesia	162	183	132	28.2	214	315	691	119.4
Dominican Republic	228	86	98	11.4	512	197	188	- 4.6
Japan	92	14	78	488.8	206	120	188	56.7
Pakistan	0	39	49	25.6	0	47	63	34.0
Israel	186	27	33	22.2	148	164	249	51.8
Spain	89	171	30	- 82.5	752	1,073	714	- 33.5
Italy	23	47	28	- 40.4	129	256	166	- 35.2
Canada	7	6	27	350.0	182	57	32	- 43.9
Malaysia	43	2	21	950.0	226	346	430	24.3
France	42	11	17	54.5	174	196	73	- 62.8
United Kingdom	22	8	17	112.5	84	73	33	- 54.8
Sri Lanka	114	69	14	- 79.7	1,195	529	572	8.1
Switzerland	4	5	14	180.8	185	19	70	268.4
All Other	208	329	25	- 92.4	438	997	484	- 51.5
Total	39,513	42,808	36,920	- 13.7	157,634	190,076	199,241	4.8
CBI total	318	246	98	- 60.2	810	627	273	- 56.5
EC total	288	247	99	- 59.9	1,198	1,731	1,018	- 41.2

1/ Includes footwear with fabric uppers and soles of rubber or plastics, such as sneakers, joggers, and certain casual shoes.

SOURCE: Compiled from official statistics of the U.S. Department of Commerce.

Table 18.--Protective footwear: Quantity of U.S. imports for consumption, by principal sources, October-December 1988-90, and annual 1988-90

(In thousands of pairs)

Source	October-December--			Percentage change, Oct. - Dec. 1990 from Oct. - Dec. 1989				Percentage change, 1990 from 1989
	1988	1989	1990		1988	1989	1990	
Republic of Korea	621	534	846	58.4	4,248	2,524	2,865	13.5
China	385	381	551	44.6	1,276	1,452	2,212	52.3
Canada	185	337	204	- 39.5	453	828	1,047	26.4
Taiwan	339	251	158	- 37.1	1,242	1,484	984	- 33.7
Thailand	64	32	102	218.8	177	92	205	122.8
Yugoslavia	165	266	67	- 74.8	435	527	427	- 19.0
El Salvador	26	24	34	41.7	153	196	126	- 36.7
Hong Kong	11	21	33	57.1	226	146	126	- 24.1
Brazil	97	67	32	- 52.2	184	91	94	3.5
Malaysia	18	20	31	55.0	52	119	169	42.8
Israel	14	12	27	125.0	32	38	67	76.3
Mexico	47	24	20	- 16.7	115	178	80	- 55.1
Venezuela	6	13	18	38.5	18	27	40	48.1
Italy	26	29	17	- 41.4	71	96	110	14.6
Colombia	9	14	9	- 35.7	41	44	36	- 18.2
All Other	45	28	31	10.8	313	283	141	- 50.2
Total	1,937	2,088	2,188	5.2	8,543	8,154	8,734	7.1
CBI total	26	55	36	- 34.5	153	326	127	- 61.0
EC total	64	44	31	- 29.5	251	226	203	- 10.2

SOURCE: Compiled from official statistics of the U.S. Department of Commerce.

STATEMENT
OF
TEKNAMED CORPORATION
ON
H.R. 1283

As introduced on March 6, 1991, by Congressman Gibbons, H.R. 1283 would remove some of the more significant remaining restrictions on duty-free treatment for imports from Caribbean and Central American countries which are beneficiaries under the Caribbean Basin Economic Recovery Act (Pub.L. 98-67). The bill as introduced would remove the exclusions on, and thereby permit duty-free entry for:

-Textile and apparel articles
-Footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel
-Tuna
-Petroleum, or any product derived from petroleum
-Watches and watch parts, and
-Certain other leather articles

TeknaMed Corporation, a Mississippi-based manufacturer of medical products, strongly supports passage of H.R. 1283 because the bill would facilitate further economic development in the region and thereby enable the original promise of the Caribbean Basin Initiative to be realized. Moreover, the bill would have a positive effect on the U.S. economy by providing increased markets for U.S. exports to the region.

Background

1. TeknaMed Corporation

TeknaMed is a Mississippi corporation with its corporate headquarters in Columbus, Mississippi. It has been engaged in the manufacture of medical products in Mississippi since 1972. It manufactures, among other items, isolation gowns, coveralls, labcoats, smocks, surgical gowns, surgical drapes, and disposable footwear for use in hospitals and clinics, and otherwise by doctors and medical personnel. TeknaMed currently employs 285 people in Columbus, Mississippi, with an annual payroll of $3,800,000. There are also distribution centers in California, Pennsylvania, Illinois, Texas, and Mississippi and sales personnel throughout the United States. The annual payroll for its 35-person sales and distribution force is an additional $1,700,000. TeknaMed manufactures, sterilizes, and sells its products directly to hospitals in the United States. Annualized total sales are approximately $30,000,000, the majority of which are made up of the above-described articles. Over the last twenty years, TeknaMed has grown from a start-up position of zero sales to its current level.

TeknaMed also has a manufacturing facility in the Dominican Republic, in La Romana, that manufactures surgical gowns, surgical caps, isolation gowns and shoe covers. These products are imported into the United States and are brought to the plant in Columbus for further assembly, packaging, sterilization and distribution. These imports represent about 35 percent of TeknaMed's line and sales.

2. The Caribbean Basin Initiative

The Caribbean Basin Economic Recovery Act, commonly referred to as the Caribbean Basin Initiative (CBI), was signed by

President Reagan in August 5, 1983, and went into effect on January 1, 1984. Thus far the President has designated 24 Caribbean Basin countries and territories as eligible for unilateral duty-free treatment on U.S. imports of eligible articles.

Benefits are offered under the CBI in two main areas: trade and taxes. With respect to trade benefits, the CBI created a one-way duty-free trade system that expanded the coverage of products entering the United States for a twelve year period, providing broader duty-free treatment than was available under the Generalized System of Preferences (GSP). This duty-free treatment was made permanent in August 1990 by the passage of the Caribbean Basin Economic Recovery Expansion Act (CBI-II) (Pub.L. 101-382). Under the CBI law, duty-free treatment is available to all products exported to the United States from CBI-designated countries with the exception of textiles and apparel, footwear, handbags, work gloves, leather flat goods and apparel, certain watches and watch parts, canned tuna fish, and petroleum products.

Shortcomings in the CBI

TeknaMed has long believed that the Caribbean Basin Economic Recovery Act has fallen short of achieving its announced goals by excluding the above-described products from duty-free entry into the customs territory of the United States. As we understand it, the intent of CBI was to provide increased access to the U.S. market for products of our Caribbean and Central American neighbors. At the same time an important objective of the United States was to stimulate economic growth and technology transfer to these neighboring countries in order to create an environment of political stability and democracy. Such economic development and political stability in the Caribbean Basin would, it was anticipated, further strengthen the competitiveness of the entire Western hemisphere.

The failure of the Initiative to live up to its original expectations was recognized by the Ways and Means Oversight Subcommittee which sent a fact-finding mission to the region in January 1987. Fortunately, Congress took action on the delegation's recommendations to increase CBI benefits from those contained in the 1983 law, with the result that duty-free entry is also now provided for the full value of goods (except textile articles, apparel articles, or petroleum or petroleum-derived products) assembled or processed in whole of fabricated components or in ingredients that are products of the United States, by treating the goods as having U.S. origin (Pub.L. 101-382).

With respect to textile and apparel articles, one can easily imagine many direct benefits for the United States if the CBI were to provide duty-free entry to articles that have traditionally been excluded from such treatment. Many garments which today come from the Far East are manufactured from cloth which is made from foreign fibers, spun and woven in the Far Eastern countries, sewn into garments and sold into the U.S. markets, thereby depriving the United States of any economic involvement in the production of such articles.

The removal of restrictions on duty-free access for garments and apparel would create competitive market conditions for garments made in the Caribbean from cloth made from U.S. fibers and, more than likely, made from cloth and other parts and accessories produced entirely in the United States. Laparotomy sponges, covered by HTS subheading 3005.90.50, "wadding, gauze, bandages and similar articles", are a good example. Less than ten years ago all of the United States consumption of this commodity, which is sizable, was manufactured in the United States from U.S.-made cloth. However, Far Eastern suppliers

began to export this commodity to the United States, steadily increasing their market share. To combat this threat from the Far East, several U.S. companies, including TeknaMed, began assembling the laparotomy sponges in the Caribbean from U.S.-manufactured cloth. TeknaMed's exports from the Caribbean were dutiable at the same duty rate as those from the Far East, since such sponges were excluded from CBI benefits. Throughout the 1980's, the Far Eastern suppliers continued to reduce their prices to a point where TeknaMed and other manufacturers could not compete, even utilizing our efficient assembly operations in the Caribbean. Today, literally one hundred percent of the U.S. market for this commodity is supplied from the Far East, from Far Eastern fibers and from cloth made in the Far East. Such would not be the case if the CBI had been enacted as originally introduced, without the shortcomings which H.R. 1283 seeks to remedy.

Salutary Effects of H.R. 1283

If Caribbean manufacturers of textile and apparel articles were allowed duty-free treatment under CBI--as provided in H.R. 1283--TeknaMed and the other manufacturers could once again compete with the Far Eastern suppliers. Furthermore, not only would such action help our Caribbean business operations, it would bring jobs back to the United States, to grow the fibers and/or manufacture the cloth and other parts and accessories. There are many similar products which are made in their entirety in the Far East, which, if made in the Caribbean, would bring jobs back to the United States. These jobs would be in fields such as fiber growth/production, cloth manufacturing, garment parts manufacturing, packaging supplies manufacturing, and distribution activity, to mention only a few.

Free Trade Agreements with Canada and Mexico

The United States has already entered into a Free Trade Agreement (FTA) with Canada and is seriously considering negotiating a FTA with Mexico. A FTA with Mexico would be likely to have an adverse impact on CBI countries (See USITC Pub. 2353, at p. viii), especially if certain products continue to be excluded from duty-free entry under CBI. It is only fair for the United States to afford equal treatment to its Caribbean neighbors. If the United States were to provide duty-free entry to its markets for products from Canada and Mexico and continued to exclude certain important products from its Caribbean neighbors, the result would be less opportunity and thus less political stability in the region.

Conclusion

TeknaMed submits that H.R. 1283 would go a long way to help the United States achieve the positive results that were intended when the CBI was announced, "to promote economic revitalization and facilitate expansion of economic opportunity in the Caribbean Basin." By removing the remaining exclusions on duty-free treatment, H.R. 1283 would provide a real stimulus to further economic development in the region, benefitting citizens of the CBI countries as well as those in the United States.

For these reasons, TeknaMed urges the Subcommittee to approve H.R. 1283 as introduced. The results would surely be positive and wide-reaching.

UFCW

Willie L. Baker, Jr.
International Vice President
Director, Public Affairs Department

April 12, 1991

The Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
House Ways and Means Committee
U.S. House of Representatives
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing this letter with regard to your recent introduction of H.R. 1283, proposed legislation to repeal the provisions exempting certain products from duty-free treatment under the Caribbean Basin Initiative (CBI). In particular, the United Food and Commercial Workers International Union (UFCW) -- consisting of 1.3 million members overall -- is concerned about the bill's consequences for thousands of workers in the footwear industry who would be negatively impacted by this legislation.

At present, footwear is among a number of domestic items which receives special protection under the existing CBI legislation. The reasons for this exemption are substantial. The domestic footwear industry has been especially hard hit by imports during the preceding two decades. Imports increased five-fold between 1968 and 1989. Currently, they account for over 80 percent of the non-rubber footwear industry in the U.S. This has resulted in the loss of over 150,000 jobs in direct manufacturing alone, and the closing of over 660 plants nationwide.

Congress made its intent clear by insulating footwear from the assaults of imports from CBI beneficiary nations, by exempting footwear when it enacted CBI in 1983. As noted by Representatives Moakley and Sundquist in their March 20th letter to you on this subject, "from the very beginning of the CBI program and through its renewal in the last year, it was readily apparent that Congress wanted to strike a balance between the needs of the region and those at home. Thus, we exempted a handful of extremely import-sensitive products from the one-way duty-free benefits of the CBI." (See attached).

I strongly urge you to reconsider your support of this legislation which will surely cause further unemployment in an already devastated industry, and which can only add to this nation's economic woes in the current recessionary climate.

Sincerely,

Willie L. Baker

International Vice President
Director, Public Affairs Department

Attachment

[ATTACHMENT HAS BEEN PREVIOUSLY PRINTED.]

William H. Wynn
International
President

Jerry Menapace
International
Secretary-Treasurer

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(202) 467-1580

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STATEMENT OF THE UNITED STATES TUNA FOUNDATION
ON H.R. 1283
CARIBBEAN BASIN ECONOMIC RECOVERY ACT AMENDMENTS

The United States Tuna Foundation (USTF) is a non-profit, mutual benefit corporation representing each of the elements of the United States tuna industry, including tuna vessel owners and operators, tuna vessel crew members, tuna processors, and cannery workers. USTF opposes the addition of canned tuna in the duty-free provisions of the Caribbean Basin Economic Recovery Act (CBERA) as proposed in H.R. 1283.

The CBERA allows almost all products from the Caribbean Basin countries to be imported into the United States free of tariff duties. When the CBERA was originally passed in 1982, Congress recognized that due to canned tuna's extreme import sensitivity, U.S. canned tuna would be severely impacted if any duty change were included in the CBERA. As a result of this extreme import sensitivity, Congress deleted canned tuna as a product eligible for the duty-free provisions. Again in 1989 and 1990 when Congress was debating the extension of the CBERA, Congress reaffirmed that canned tuna should remain exempt from the duty-free provisions. We support these important decisions. Congress should not change their long-standing position. Canned tuna should remain exempted from the CBERA.

According to information from the International Trade Commission ("Tuna: Competitive Conditions Affecting the U.S. and European Tuna Industries in Domestic and Foreign Markets", USITC Publication 2339), over 94 percent of U.S. canned tuna production is supplied by the territory of American Samoa and the Commonwealth of Puerto Rico. The report continues, "Tuna canneries are vital to the economies of local communities in American Samoa and Puerto Rico where they are a major source of employment." Any amount of duty-free trade from the CBERA countries in canned tuna will stimulate a shift of tuna production and employment from the U.S. protectorates to the CBERA beneficiary countries.

When one considers the dramatic growth of canned tuna imports since the first time Congress debated the CBERA, it is easy to understand the need to continue the tuna exemption from the CBERA. In 1982, canned tuna imports accounted for less than 100 million pounds and captured 14 percent of the U.S. market. In 1989, canned tuna imports had risen to over 300 million pounds and held a 33 percent market share. An even more dramatic illustration of the effect of canned tuna imports is shown in the filling of the canned tuna in water tariff quota. The tariff quota is based on 20 percent of the previous year's U.S. canned tuna production. Imports below the quota enter the U.S. at 6 percent ad valorem duty and imports above the quota are entered at 12.5 percent duty. In 1982, the canned tuna quota was never filled, but in 1989, the quota was filled on January 25, less than one month into the year.

We would also like to point out that the recently completed International Trade Commission report on Investigation No. 332-297, "The Likely Impact on the United States of a Free Trade Agreement with Mexico," concluded:

> "The overall impact of an FTA on U.S. imports of Mexican fish and fish products would likely be negligible. However, removal of U.S. duties on canned tuna would likely lead to significant growth in U.S. imports of Mexican tuna. The expected import growth would likely result in significant harm to the U.S. tuna industry, particularly to the cannery in California, and to a lesser extent, the canneries in Puerto Rico."

It is clear that the same impact of "significant harm to the U.S. tuna industry" would occur no matter what area of the world the United States grants a canned tuna duty reduction or elimination.

The United States tuna industry continues to support the U.S. policy of assisting in upgrading the economies of our neighboring Caribbean Basin countries, however, we do not believe that it should be done at the expense of the U.S. work force. The U.S. territories and commonwealths should be our primary concern. If tuna processing is transferred to the Caribbean Basin countries, the economies of American Samoa and Puerto Rico will suffer a severe decline.

We ask that the Subcommittee continue to preserve the tuna industry in American Samoa and Puerto Rico. Changes in the CBERA should not be made to allow duty-free entries of canned tuna from the Caribbean Basin countries.

WARNER'S
for WARNACO

2125 N. Martin Luther King Jr. Drive
P.O. Box 2660
Thomasville, Georgia 31792
Warnaco, Inc.

Phone 912/226-8264

April 29, 1991

The Honorable Sam M. Gibbons
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Sir:

As an employer in the Caribbean, we support passage of your bill H.R. 1283.

Let's give our Caribbean neighbors a little more ability to compete.

Yours truly,

Frank Mason
V. P. Manufacturing
WARNER'S

FM/lg

STATEMENT OF THE WORK GLOVE MANUFACTURERS ASSOCIATION

IN OPPOSITION TO

H.R. 1283, TO AMEND THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT TO REPEAL THE PROVISIONS EXEMPTING TEXTILE AND LEATHER-RELATED PRODUCTS FROM DUTY-FREE TREATMENT UNDER THE ACT

TO THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS

APRIL 29, 1991

The Work Glove Manufacturers Association (WGMA) is the trade association for U.S. producers of work gloves of all types, including textile, coated textile, leather, rubber, and plastic. The WGMA is strongly opposed to H.R. 1283, a bill to repeal the CBI exemption (from duty-free treatment) for textiles/apparel and leather-related products. Since the vast majority of work gloves that are imported from CBI countries falls into one or the other of these categories, the ability to import these gloves duty-free from CBI countries would strike a devastating blow to our industry.

There is now a substantial and growing Asian presence in the Caribbean dedicated to the production of work gloves. Asian producers, already our predominant competitors in the U.S. work glove market, are lured to the region by low wage rates, proximity and easy access to the United States. Thus, in recent years the Caribbean has become a major source of work glove imports: Haiti, Dominica, St. Lucia, Jamaica, Barbados, and Trinidad-Tobago export gloves to the U.S. market. Under the Multifiber Arrangement, there are bilateral restraint levels in effect on textile gloves with Trinidad-Tobago, Haiti, and Jamaica.

All this suggests that the work glove industry in the Caribbean is quite healthy and growing. Further, work glove imports have been increasing overall, and this growth has come at the expense of U.S. producers. Likewise, the substantial duty incentive that would be provided by H.R. 1283 would not hurt traditional Asian work glove suppliers, but would cut further into the production, sales, and profits of U.S. work glove producers, and the U.S. jobs held in this industry.

During the last decade, the domestic work glove industry lost substantial ground to imports. In 1980, the ratio of imports to consumption was just under 23 percent. By the end of the decade, this ratio had increased to 75 percent. The employment picture reflects this lost market share. As a result, the industry cannot sustain the increased import flows that would surely result from duty-free treatment for Caribbean producers.

There is a tremendous cost to the national economy and to the public safety that stems from growing imports. As profit levels are squeezed, U.S. producers have fewer dollars to (1) commit to the important research and development needed to develop new forms of coating for hand protection; (2) meet the needs of a new generation of work gloves that will be required to handle the growing problem of hazardous waste and other toxic materials; and (3) meet the demand for high quality gloves that results from the AIDs crisis. It is U.S. producers, not low-wage developing countries, who are leading the efforts to develop new types of gloves to serve the nation's industrial, environmental and safety needs.

These are all sound reasons why duty-free treatment on Caribbean work gloves must be avoided, and why Congress has twice in the last decade reaffirmed its commitment to this policy. Even though the overall duty-free exemption on work gloves has remained intact, our industry was required to give up some of its duty protection on leather-related work gloves in the last Congress at the insistence of the House conferees on CBI II. This duty reduction was designed to help the Caribbean increase its exports of these work gloves to the U.S. market. This duty reduction was the subject of much debate and intense negotiations. It was also bitterly opposed by our industry. However, after this long battle, we thought that the book was at least closed on the issue of further duty reductions, only to see it reopened just months after the enactment of CBI II!

Such conflicting signals sends shudders through U.S. producers and creates great uncertainty in the market. WGMA urges the Subcommittee to drop H.R. 1283. If enacted, this bill would inflict severe damage on the domestic work glove industry.